

# IKWEZI LOCAL MUNICIPALITY DRAFT ANNUAL REPORT

2015/2016



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## **CHAPTER 1 – MAYOR’S FOREWORD AND EXECUTIVE SUMMARY**

### **COMPONENT A: MAYOR’S FOREWORD**

The work of the institution is informed by the Integrated Development Plan (IDP) priorities set by Council. This Draft Annual Report covers the achievements accomplished by the institution during the year under review. The report will also touch on challenges faced by the institution during the year under review.

The Municipality is collecting a fraction of what it requires to run the institution properly. We have experienced problems in spending our allocation because of the lack of capacity within the technical services department.

During 2015/16 financial year the following projects which brought about change in the living condition of the communities were implemented and some with critical challenges to be addressed:

- Installation of water meters in Jansenville
- Water Conservation and demand Management
- Upgrading of WWTW in Klipplaat.
- Construction of parks in Jansenville and in Klipplaat

There is a lack of funding for roads maintenance and shortage of plant tools and equipment.

Ikwezi Local Municipality, has also agreed to declare the area as the Green Energy Hub. This decision was based on the weather temperatures that are extremely hot in the area. In line with energy saving tips, the municipality has also signed a Memorandum of Agreement with the University of Fort Hare, Uhuru Development Cooperative for the implementation of energy saving project throughout Ikwezi, training of youth on solar, and establishment of a Solar Farm in Jansenville. The investors are ready to roll out the project. All registered indigents have access to free basic services. Detailed information is provided under financial report.

I am grateful for the following support received from COGTA EC:

- Secondment of staff at Senior Management level to the positions of Municipal Manager and Chief Financial Officer in order to stabilize the institution.

- Payment of staff salaries for May and June 2016.

I also wish to thank Provincial Treasury Regional office for assisting the institution with the development of Annual Financial Statements and other financial related matters during the year under review.

The municipality has also experienced serious financial challenges as a result it was unable to pay salaries for its staff including creditors. COGTA assisted the municipality. The municipality is only collecting 44% for revenue which makes it difficult to perform its functions in an efficient and effective manner. Ikwezi Municipality received a Disclaimer Audit Opinion from the Auditor General during the year under review. This was due to the fact that there was stability in Management. The municipality has been operating without an Accounting Officer for two years. There was only one senior manager.

During the third quarter of the financial year the workers embarked on a strike action due to non-payment of their salaries and third parties. Emanating from this the demand for contract workers to be made permanent were discussed on a regular basis, but remained unresolved.

The Municipality is also participating in the Community Works Programme (CWP) and the Expanded Public Works Programme (EPWP). These programmes have created job opportunities for the communities of Ikwezi Municipality.

In conclusion, I want to thank the Acting Municipal Managers, the directors and staff for their contribution and hard work in realizing the goals of this Council.

**S.A. MNGWEVU**  
**MAYOR**

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## COMPONENT B. EXECUTIVE SUMMARY

### 1.1 MUNICIPAL MANAGER'S OVERVIEW

This Draft Annual Report has been prepared in accordance with the guidelines of Circular 63 issued by National Treasury. The guidelines require that the performance of the municipality be reported on, in functional areas. An overview of each financial area, with a description of the activity, is presented. The strategic objectives of each function as well as priorities and progress on such priorities, is highlighted.

Local municipalities have been entrusted to perform basic services to the communities. These include the provision of water, sanitation; refuse removal, electricity as well as maintenance of roads. The municipality developed an Integrated Development Plan (IDP) which reflects projects and programmes that the municipality hopes to achieve.

Ikwezi Local Municipality is a Plenary System where the Speaker serves as a Mayor. There are seven councillors in total, five from the African National Congress (ANC) including the Speaker/Mayor which is the ruling party, two from the Democratic Alliance (DA). There are four wards in total.

The year under review which highlights the performance of the institution, covers the period 1 July 2015 to 30 June 2016. The report indicates the percentage of the municipality's capital budget actually spent on capital projects identified for a particular financial year in terms of the municipality's Integrated Development Plan.

The municipality had serious challenges during the year under review which include:

1. Lack of stability at senior management level. The municipality had five acting Municipal Managers for a period of two years. The position of the Director: Infrastructure and Community Development became vacant since January 2015 to date. During the year under review the municipality has been operating with one senior manager and seconded staff from COGTA, SBDM and Camdeboo municipality. The seconded staff from SBDM and Camdeboo was only coming few days a week not full time.
2. Cash flow which led to non- payment of salaries and third parties for staff. This has resulted to strike action by staff members.
3. Non-payment of creditors due to cash flow challenges. Revenue collection is 44%.
4. Use of MIG funding for daily operations had a negative impact in the completion of infrastructure projects.
5. Ikwezi Local Municipality has not adopted a Draft Reviewed IDP for the 2016/17 by the 31<sup>st</sup> of March 2016 and had not adhered to the Process Plan dealing with activities of community engagements and Stakeholder participation.
6. Lack of funding to implement capital projects.
7. Performance Assessments of senior managers was not done during the year under review.
8. Audit Committee did not sit during the year under review. The chairperson of the Audit Committee passed on in February 2016.
9. Portfolio Committees were not functioning as they should.
10. MPAC was non-functional.



## 11. Lack of IDP public participation meetings.

Housing continues to pose a serious challenge to the municipality. Municipal and housing officials are working tirelessly to sort out all blockages in the completion of all housing projects in Ikwezi.

The budget is spent on the operational and capital expenditure. Due to its low revenue base, the municipality is totally dependent on grant funding. Specific attention will be paid in improving the revenue collection in order to be financially viable in 2016/17 financial year.

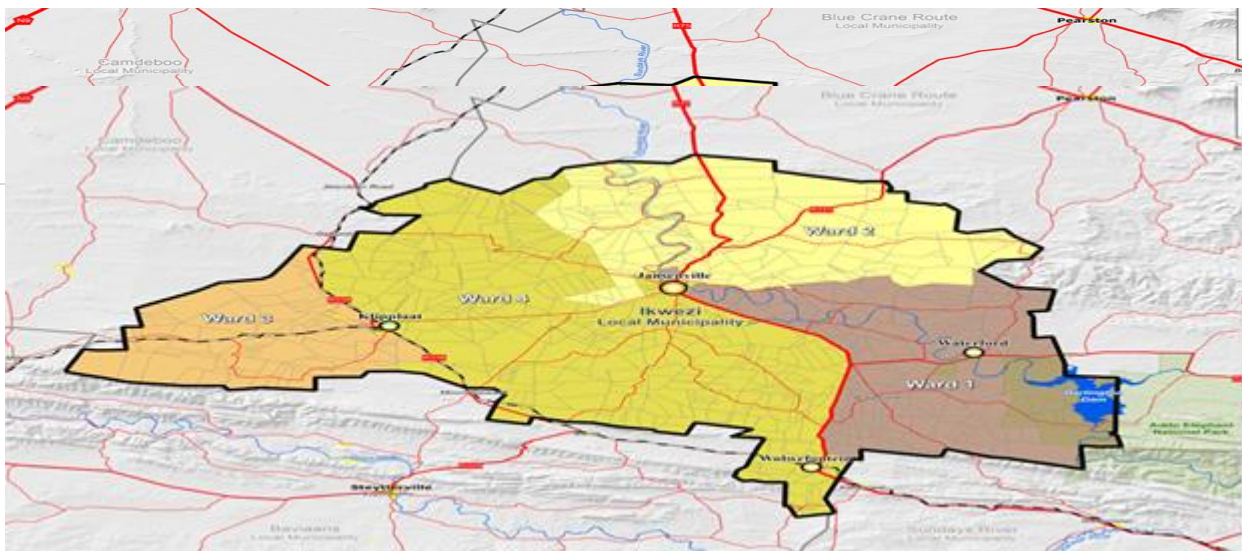
### **Highlights during 2015/16**

- Reduced legal cases from 19 to 5
- Installation of water meters in Jansenville
- Water Conservation and Demand Management
- Upgrading of WWTW in Klipplaat
- Implementation of the recommendations of the Kabuso Investigation Report

I would like to take this opportunity to acknowledge time and effort given by Heads of Department, middle management and first line managers. Management would like to appreciate the political leadership and oversight by Council led by our Honourable Mayor, Councillor Sizwe Alfred Mngwevu.

**P.M.KATE**  
**ACTING MUNICIPAL MANAGER**

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The Ikwezi Local Municipality is situated in the Eastern Province and is one of 9 Local Municipalities located within the Cacadu District Municipal area. The Municipal area comprises 456 272ha and is characterised by large rural areas with very low population densities and a number of relatively small urban nodes.

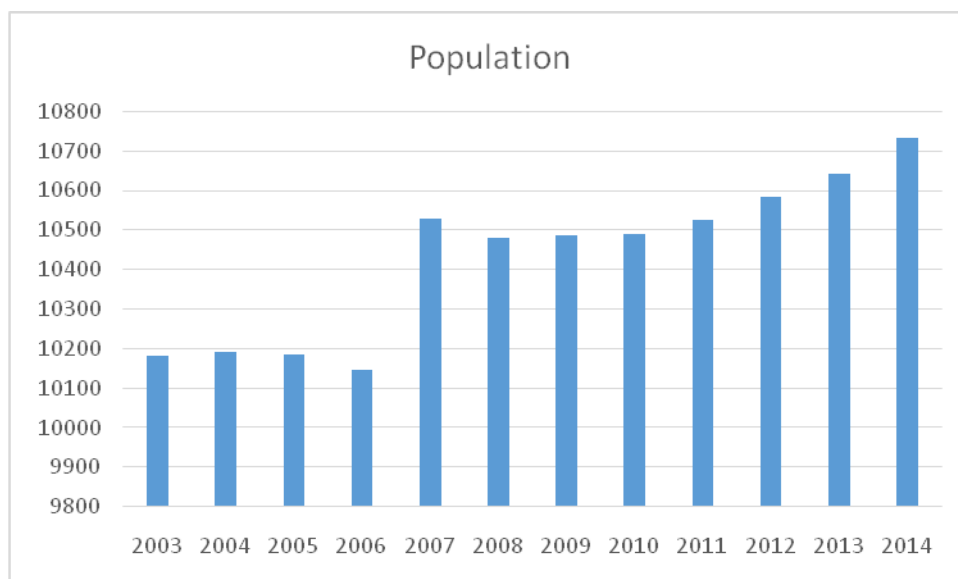
The municipality is abutted by the boundaries of Blue Crane Route (East), Camdeboo (North) and Baviaans (West) municipal areas. In 2011, the extent of Ikwezi municipality covered an area of four thousand and five hundred and sixty two square kilometres (4,562.72km<sup>2</sup>) which was delimited into four wards with a total of seven councillors. The municipality has a population of 10 537 occupying an estimated 2 915 households with an average household size is 3.6 inhabitants. The physical area is characterized by vast rural hinterland, comprising of privately owned farms where most of the agricultural activities take place. The economy is based on social services and government spending, with strong roots in the agriculture sector. The primary urban area is Jansenville; Klipplaat is a secondary service centre; Waterford a small rural node and Wolwefontein a tiny railway settlement.

The largest concentration of people is found in Jansenville, which is made up of Ward 1, 2 and the rural hinterland surrounding it. Nodes and settlements include:

- WARD 1 consists of a portion of Mauritius, Waterford, Jansenville West and East, including the CDB area, 7de Laan and a portion of Holland.
- WARD 2 consists of a portion of Mauritius, Drie Kloof, Phumlani, Borchards, Draai, Brickfields and a portion of Holland.
- WARD 3 consists of Princevale, Wongalethu and Klipplaat Central.
- WARD 4 consists of Klipplaat Town, Dan Sandi View and Wolwefontein. E

### 1.2.1 Total Population and background data

The demographic profile in the study area is made up of both urban and rural dynamics. During the life-span of the current five year IDP, various data sources were used progressively during each planning review process, ranging from StatsSA Census 2001, Community Survey 2007 and ultimately updated by the StatsSA Census 2011.



Source: Quantec Easydata 2015

The following table indicates the estimated growth in population projections for the next ten years. Note that these should be aligned with the Ikwezi IDP and will be a key informant for future land requirement needs.

Number of population per ward and its projection to 2022.

WARD	AREA	2011			2022			
		POPULATION	HOUSEHOLDS	HOUSEHOLD SIZE	POPULATION	HOUSEHOLDS	ADDITIONAL PERSONS	ADDITIONAL HOUSEHOLDS
1	Jansenville, Waterford, Farms	2468	675	3.7	2784	752	316	77
2	Phumlani	4044	1086	3.7	4561	1233	517	147
3	Wongalethu, Farms	1565	491	3.2	1765	552	200	61
4	Klipplaat, Dan Sandi, Wolwefontein, Farms	2460	662	3.7	2775	750	315	88
TOTAL		10537	2914	3.6	11885	3287	1348	373

Table 3 : Population Projection

Based on the above tables the following key observations are noted:

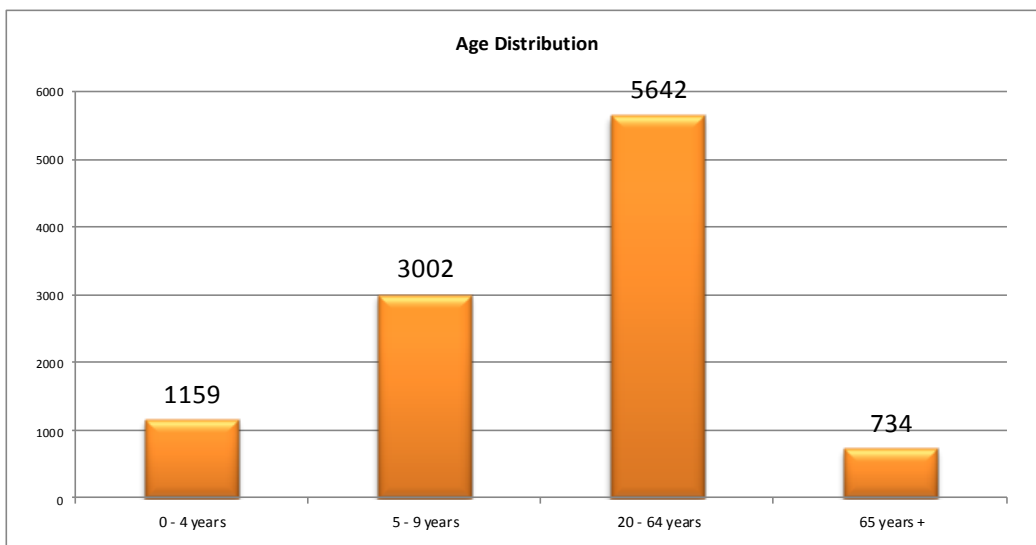
- The 2011 Census estimates a population of approximately 10 537 for the Ikwezi Municipality, comprising of 2 914 families.
- The above table indicates that since Census 2011 (Statistics SA) Ikwezi population has grown from 10 537 to a population of about 10 725 in 2014.
- The population figure includes a relatively small rural population.

- The rural population includes the rural nodes of Waterford and Wolwefontein.
- It is estimated that the population will grow in line with the National average, i.e. 1.1% between 2012 and 2022.
- The estimated population growth will result in an increase of approximately 1 348 persons or 373 families (10 year planning horizon).
- Projection also indicates that the population will generally grow in coming years suggesting that planning should therefore consider population growth.

### 1.2.1.1 Population Density

Based on the current (2011) estimated population of 10 537 the study area has an average density of approximately 0.43 people per square kilometre (total area 4 562km<sup>2</sup>). In comparison, the Cacadu District has a population density of 8 people per square kilometre.

Based on Stats SA information and projections, the South African population growth declined from 1.33 % per annum (2001–2011) to 1.1 % per annum (2010-2011). The estimated growth rate for Ikwezi is therefore based on the national growth rate and expecting a decline over the next 10 years.

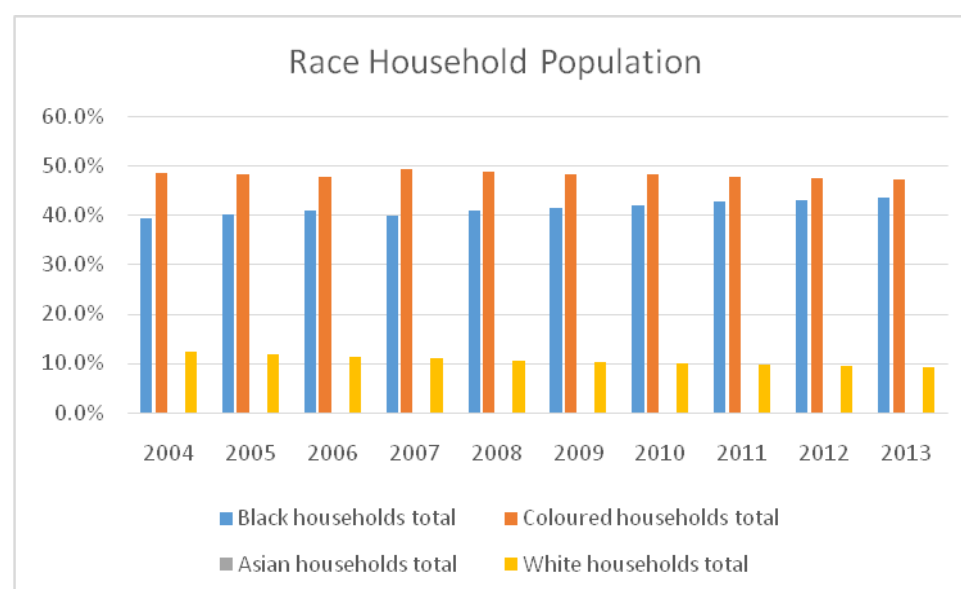


**Figure 1: Age Distribution** (Source: Urban Econ-Ikwezi SDF 2013)

The following key observations are made:

- The age profile for the Ikwezi Municipality indicates that approximately 53.5% of the population falls within the economically active (20-64 years) group.
- The population profile can be described as relatively young with a small portion of the population above the 65+ age group.

### 1.2.1.2 Number of Households by Race



The following key observations are made:

- The majority of total households belongs to Coloured community followed by Black households. White households are comparatively few, less than 10% of the total race household population
- Over the period 2004 to 2013 Coloured households have averagely been constant whereas Black households have steadily grown from just below 40% mark to a range of about 44%. During the same period White households have decreased from approximately 12% to a range of about 9%

### 1.2.1.3 Number of child headed households

None

## 1.2.2 Poverty Level

### Poverty:

- A household is considered to be subject to poverty if the individuals therein earn a combined income which is less than the poverty income threshold.
- This poverty income threshold is defined as the minimum monthly income needed to sustain a household.

- Obviously, this will vary according to household size, e.g. the larger the household, the greater the income required to keep its members out of poverty.
- Currently, the poverty income threshold for a household of 4 people is set at R2 544 per month.
- This is based on the Bureau of Market Research's Minimum Living Level.

#### 1.2.2.1 Poverty Gap:

- Measures the difference between each poor household's income and the poverty line
- The aggregate poverty gap is calculated by summing the poverty gaps of each poor household

Thus equivalent to the total amount by which the income of poor household need to be raised each year to bring all household up to the poverty line and out of the poverty.

Increasing levels of absolute poverty have been recorded in the Eastern Cape and 74% of the people of the Eastern Cape live below the poverty line of R800 or less a month. Poverty levels in the Cacadu District are substantially lower than the Provincial norm, at 59.5%. Poverty levels within Ikwezi Local Municipality are 71.3% which is much higher than the District norm. High poverty levels imply a high dependency on social assistance in the form of grants. Municipal planning needs to focus strongly on poverty alleviation mechanisms. The distribution of income within the municipal area has worsened between 1996 and 2007 from 0, 57% to 0, and 66%.

The percentage of people in poverty has increased **from 48% in 1996 to 56% in 2007** representing a total population of 5 837 people living in poverty. The very small population of the area obviously means that limited employment can be created by supplying local markets. An exception is fresh food produce (because of long distances from suppliers). The main advantage of the small population is that not much employment needs to be created to significantly address the unemployment problem.

#### 1.2.3 Level of Education

With reference to the table below: 13% of people have not received any formal education. Another 35% had only been to primary school. 37% had some level of secondary education. Only 10% matriculated and worryingly only 3% had some form of higher qualification.

**Education levels Ikwezi Local Municipality 2004-2014**

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
<b>No schooling</b>	15.82%	15.24%	14.46%	13.66%	13.06%	12.76%	12.67%	12.59%	12.77%	12.95%	13.08%
<b>Grade 1</b>	3.66%	3.57%	3.50%	3.51%	3.56%	3.63%	3.71%	3.78%	3.83%	3.83%	3.83%
<b>Grade 2</b>	3.37%	3.32%	3.29%	3.33%	3.37%	3.46%	3.54%	3.60%	3.66%	3.68%	3.70%
<b>Grade 3</b>	4.55%	4.43%	4.29%	4.16%	4.06%	4.03%	4.03%	4.04%	4.09%	4.12%	4.15%
<b>Grade 4</b>	5.60%	5.52%	5.39%	5.23%	5.11%	5.01%	4.95%	4.92%	4.95%	4.99%	5.05%
<b>Grade 5</b>	6.38%	6.26%	6.06%	5.82%	5.61%	5.43%	5.33%	5.28%	5.33%	5.41%	5.49%
<b>Grade 6</b>	6.93%	6.89%	6.80%	6.68%	6.58%	6.49%	6.42%	6.40%	6.40%	6.44%	6.48%
<b>Grade 7</b>	7.60%	7.60%	7.55%	7.46%	7.36%	7.28%	7.21%	7.15%	7.14%	7.14%	7.15%
<b>Grade 8</b>	9.66%	9.54%	9.42%	9.24%	9.15%	9.09%	9.06%	9.05%	9.04%	9.03%	9.04%
<b>Grade 9</b>	5.22%	5.23%	5.26%	5.29%	5.31%	5.32%	5.33%	5.34%	5.31%	5.26%	5.23%
<b>Grade 10</b>	6.37%	6.43%	6.57%	6.67%	6.82%	6.92%	7.03%	7.12%	7.11%	7.11%	7.09%
<b>Grade 11</b>	3.58%	3.83%	4.16%	4.48%	4.80%	5.04%	5.22%	5.35%	5.37%	5.37%	5.39%
<b>Grade 12</b>	7.63%	7.89%	8.25%	8.58%	8.98%	9.26%	9.43%	9.60%	9.59%	9.60%	9.59%
<b>Less than matric &amp; certif/dip</b>	0.09%	0.10%	0.12%	0.14%	0.15%	0.16%	0.17%	0.18%	0.17%	0.17%	0.17%
<b>Certificate with Grade 12</b>	0.35%	0.39%	0.44%	0.50%	0.56%	0.60%	0.62%	0.65%	0.64%	0.64%	0.63%
<b>Diploma with Grade 12</b>	1.93%	1.88%	1.82%	1.72%	1.66%	1.59%	1.56%	1.53%	1.54%	1.55%	1.56%
<b>Bachelor's Degree</b>	0.32%	0.32%	0.34%	0.35%	0.36%	0.39%	0.39%	0.40%	0.40%	0.39%	0.39%
<b>Bachelor's Degree and Diploma</b>	0.23%	0.22%	0.21%	0.19%	0.18%	0.17%	0.16%	0.16%	0.15%	0.14%	0.14%
<b>Bachelor's Degree and Diploma</b>	0.23%	0.22%	0.21%	0.19%	0.18%	0.17%	0.16%	0.16%	0.15%	0.14%	0.14%
<b>Honours degree</b>	0.08%	0.10%	0.12%	0.15%	0.15%	0.16%	0.16%	0.17%	0.17%	0.17%	0.17%
<b>Master's, Doctorate</b>	0.06%	0.05%	0.05%	0.04%	0.04%	0.04%	0.04%	0.03%	0.03%	0.03%	0.02%
<b>Other</b>	10.56%	11.20%	11.90%	12.80%	13.15%	13.16%	12.98%	12.67%	12.31%	12.00%	11.66%

Quantec Easydata 2015

**1.2.3.1 Education Facilities**

Eight educational facilities are located in Ikwezi. There appears to be an adequate number of education facilities in the municipal area which suggests that the pass rate will not necessarily improve with the provision of additional schools.

IDP 2014/15.

### 1.2.3.2 Functional literacy

- Functional literacy is the number of people in a region that are 20 years and older and have completed at least their primary education (i.e. grade 7).
- Functional literacy describes the reading and writing skills that are adequate for an individual to cope with the demands of everyday life - including the demands posed in the workplace.
- This is contrasted with illiteracy in the strictest sense, meaning the inability to read or write.
- Functional literacy enables individuals to enter the labour market and contribute towards economic growth thereby reducing poverty.

Observation:

Based on of education levels, functional literacy in Ikwezi is in a fair position given the fact that over the years there is gradual improvement on education?

### 1.2.4 Crime (IDP 2014/15)

The South African Police Service Act as amended made provision for the establishment of municipal police services and community police forums. Three Police stations and one Magistrate Court (Jansenville) operate within the jurisdiction of Ikwezi Local Municipality. These are situated in Jansenville, Klipplaat and Wolwefontein, which covers the rural / farm areas. From time to time the SAPS visits Waterford. The statistics show that crime levels are relatively low within Ikwezi Local Municipality. Assault and drug related crimes are the most prevalent misdemeanour.

The crime statistics in Jansenville indicates that drug related crimes are on the rise. Sexual crimes, assault, both common and GBH, are also prevalent. It is possible that some of these crimes are influenced by social ills found in the area and social cohesion, support interventions and family / community values must be promoted.

In general the occurrence of crime in Wolwefontein is very low. The highest frequency of crime in 2012/13 was that of residential burglary with four reported cases.

#### 1.2.4.1 IHS Composite Crime Index

- The crime index is a composite, weighted index which measures crime. The higher the index number, the higher the level of crime for that specific year in a particular region.
- The index is best used by looking at the change over time, or comparing the crime levels across regions.

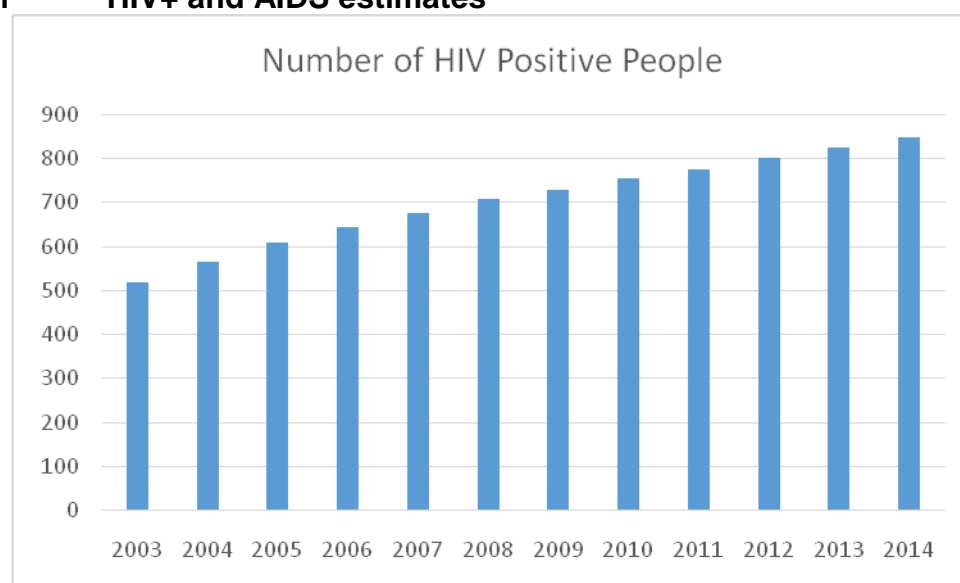
### 1.2.5 Health levels

Primary Health care is provided by the Provincial Department of Health. There is a hospital and one clinic in Jansenville; Kwazamukunga clinic has been renovated and is operating in Ward 2.



and there is one functional clinic in Klipplaat. A mobile unit visits Waterford, Wolwefontein, Kleinpoort and the rural areas once a month. Shortage of Ambulances to service Klipplaat remains a concern. A private Doctor consults in Jansenville every Thursday. There is one state Doctor at the Hospital and one in the Clinic. Municipal health service is a district function. Cacadu District Municipality is therefore responsible for water quality monitoring; food control; waste management monitoring; health surveillance of premises; surveillance and prevention of communicable disease, excluding immunizations; vector control; environmental pollution control; disposal of the dead; chemical safety but excludes port health, malaria control and the control of substances.

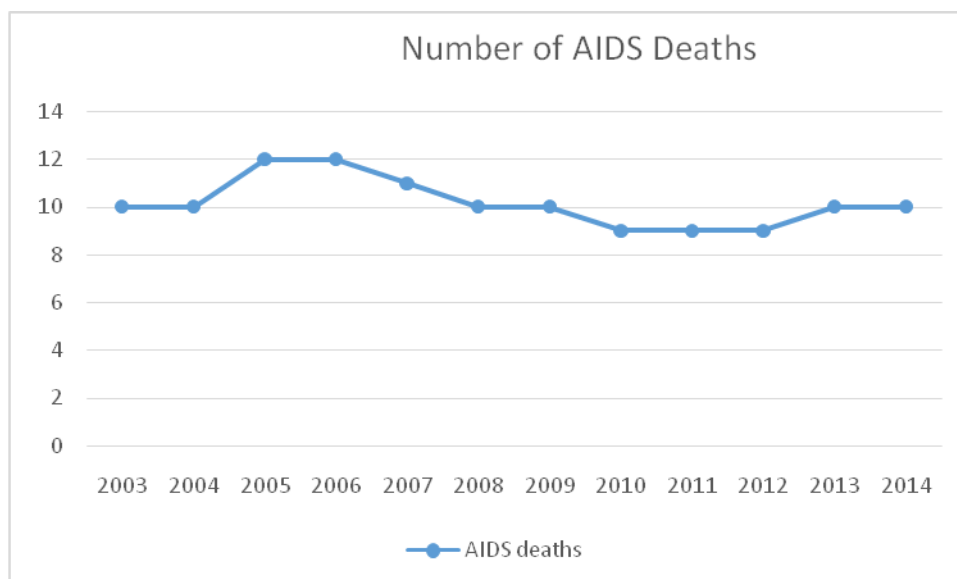
### 1.2.5.1 HIV+ and AIDS estimates



**Source:** Quantec 2015

The following observations are made:

- The number of people with HIV has been increasing with an alarming rate, meaning that there is a high number of people being infected with HIV every year over the period 2003 to 2014
- High level of infection can be attributed to the fact that most of the sexually active people do not use preventative measures
- Inadequate awareness campaigns on HIV/AIDS
- Attitude and ignorance of the people
- There is need to intensify awareness programmes especially at primary school upwards.



The following observations are made:

- According to recorded cases, averagely ten (10) people die of AIDS each year in the municipality from 2003 to 2014.
- The death rate is low compared to the infection rate during the same period suggesting that there are lots of HIV positive people but not dying
- That could be attributed Anti-Retroviral treatment programme.
- Positive life style and level of acceptance.

### 1.2.6 Economy

Gross Domestic Product by Region (GDP-R)

- Gross Domestic Product by Region (GDP-R) represents the value of all goods and services produced within a region, over a period of one year, plus taxes and minus subsidies.
- GDP-R can be measured using either current or constant prices, where the current prices measures the economy in actual Rand, and constant prices measures the economy by removing the effect of inflation, and therefore captures the real growth in volumes, as if prices were fixed in a given base year.

### Gross Value Added by Region (GVA-R)

- Gross Value Added (GVA) is a measure of output (total production) of a region in terms of the value that was created within that region. GVA can be broken down into various production sectors.

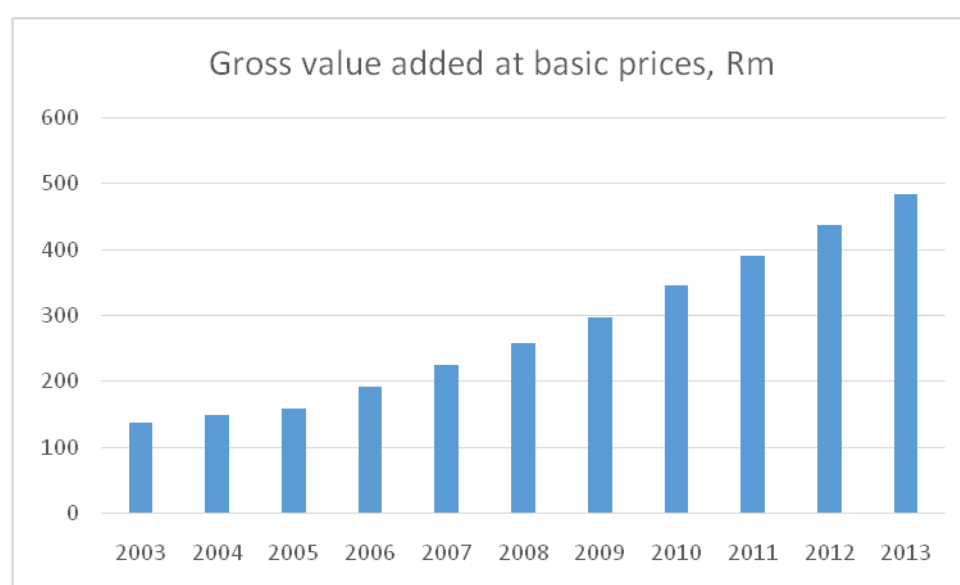
The following is a breakdown of the Gross Value Added (GVA) by aggregated sector

#### PRIMARY SECTOR

- The primary sector consists of two broad economic sectors namely the mining and the agricultural sector.

#### SECONDARY SECTOR

- The secondary sector consists of three broad economic sectors namely the manufacturing, electricity and the construction sector



**Source:** Quantec 2015

The following observations are made:

- Generally Gross Value Added (GVA) has been increasing for the past ten (10) years in the municipality. Primary and Secondary sectors are complimenting each other

Below are contributions of various sectors in the economy of the municipality:

#### Broad Economic Sectors (9 sectors)

	2008	2009	2010	2011	2012	2013
<u>Agriculture, forestry and fishing [SIC: 1]</u>	22.86%	13.91%	13.94%	12.84%	13.00%	13.80%
<u>Mining and quarrying [SIC: 2]</u>	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
<u>Manufacturing [SIC: 3]</u>	3.93%	4.22%	4.28%	4.20%	3.69%	3.62%
<u>Electricity, gas and water [SIC: 4]</u>	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
<u>Construction [SIC: 5]</u>	12.46%	12.35%	12.11%	12.53%	13.70%	15.41%
<u>Wholesale and retail trade, catering and accommodation [SIC: 6]</u>	20.10%	21.53%	21.23%	21.60%	21.75%	20.46%

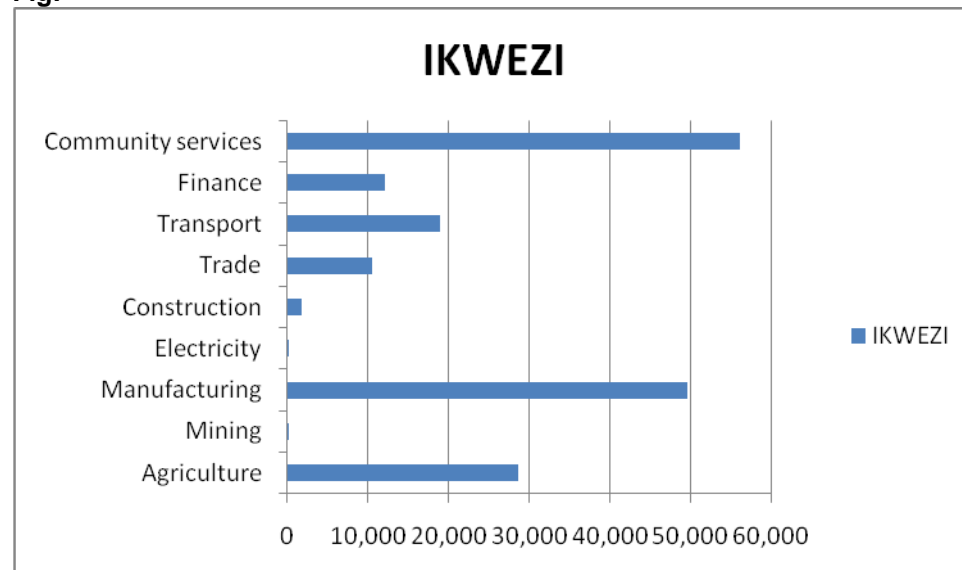
Transport, storage and communication [SIC: 7]	2.00%	2.21%	2.32%	1.95%	1.90%	1.97%
Finance, insurance, real estate and business services [SIC: 8]	3.26%	3.26%	3.36%	3.34%	3.02%	2.61%
Community, social and personal services [SIC: 93-96,98]	20.78%	24.75%	22.86%	22.28%	21.99%	21.97%
General government [SIC: 99]	14.62%	17.77%	19.90%	21.26%	20.96%	20.18%

**Source:** Quantec 2015

The following observations are made:

- Community, social and personal services; General Government; Wholesale and retail trade, catering and accommodation are the most contributing sectors
- Whole sale , retail , catering and accommodation is consistently growing throughout the years 2008 -2013
- Agriculture, forestry and fishing has declined since 2008 from 22.86% to 13.80% in 2013, so therefore agriculture used to be key economic sector then. Nevertheless it seems to have potential for growing beyond.
- Mining and quarrying; Electricity, gas and water are not contributing sectors (*municipality to verify and confirm the insignificant and non existence*)
- Over the period from 2008 to 2013 manufacturing has averagely constantly contributed at 3.99%.

**Fig:**



**Source:** ECSECC 2013

#### Tress Index

- The Tress index is estimated by ranking the nine sectors according to their contribution to Gross Value Added (GVA) and then adding the values cumulatively and indexing them.

- A Tress index value of 0 means that all economic sectors in the region contribute equally to GVA, whereas a
- The tress index indicates the level of diversification or concentration in an economy. A tress index of zero represents a totally diversified economy.
- On the other hand, the higher the index (closer to 100), the more concentrated or dependent on a few economic sectors and more vulnerable the region's economy to exogenous variables such as adverse climatic conditions, commodity price fluctuations, etc.

### **Tress index 2013**

Sara Baartman	55.93
Ikwezi LM	63.21

## **2.4 Location Quotient**

### **1.2.7 Location quotient 2013**

- A specific regional economy has a comparative advantage over other regional economies if it can more efficiently produce the same good.
- The location quotient is one way of measuring this comparative advantage by taking into account production and employment.
- If the location quotient is larger than one for a specified sector within a region, then that region has a comparative advantage in that sector.
- This is because the share of that sector of the specified regional economy is greater than the same sector in the national economy.
- The location quotient is usually computed by taking the percentage share of the sector in the regional economy divided by the percentage share of that same sector in the national economy.

### **1.2.8 Competitive advantage**

- The combination of factors that people, local resources / local economy that may have place them in a unique position within a region, national or international economy
- It is based on sectors that have ability to combine to form competencies to compete in a specific markets on the basis of cost and production.

- Natural resources can form part of competitive advantage

### 1.2.9 Labour

The labour force of a country consists of everyone of working age (above a certain age and below retirement) that are participating as workers, i.e. people who are actively employed or seeking employment.

This is also called the economically active population (EAP). People not included are students, retired people, stay-at-home parents, people in prisons or similar institutions, people employed in jobs or professions with unreported income, as well as discouraged workers who cannot find work.

#### 3.1 Economically Active Population (EAP)

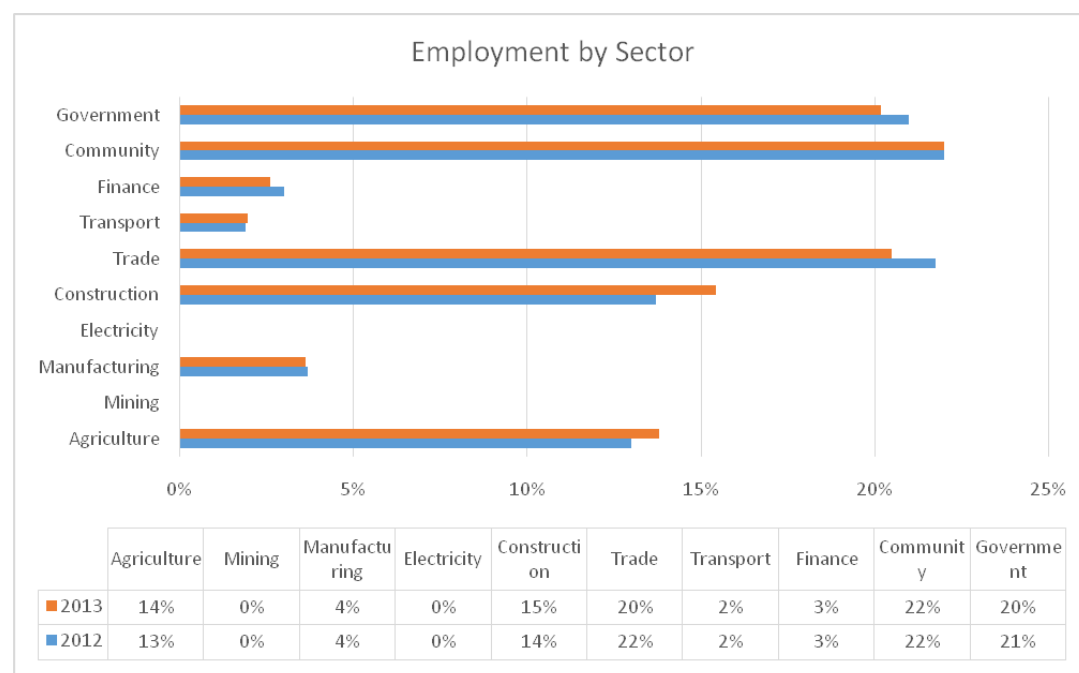
- The economically active population (EAP) is a good indicator of how many of the total working age population are in reality participating in the labour market of a region. If a person is economically active, he or she forms part of the labour force.
- **Definition:** The economically active population (EAP) is defined as the number of people (between the age of 15 and 65) who are able and willing to work, and who are actively looking for work.
- It includes both employed and unemployed people. People, who recently have not taken any active steps to find employment, are not included in the measure.
- These people may or may not consider themselves unemployed, regardless they are.

### 1.2.10 Total Employment

- Employment data is a key element in the estimation of unemployment. In addition, trends in employment within different sectors
- Employment data is also used in the calculation of productivity, earnings per worker, and other economic indicators.
- Definition: Total employment consists of two parts: employment in the formal sector, and employment in the informal sector

The Ikwezi Local Municipality is characterised by a lack of sustainable employment and a high percentage of people in the area are not economically active. This in turn translates into high poverty levels and limited disposable income. In 2001 only 28.8% of the **working age population** were employed. This situation has steadily improved and in 2011, 40.9%

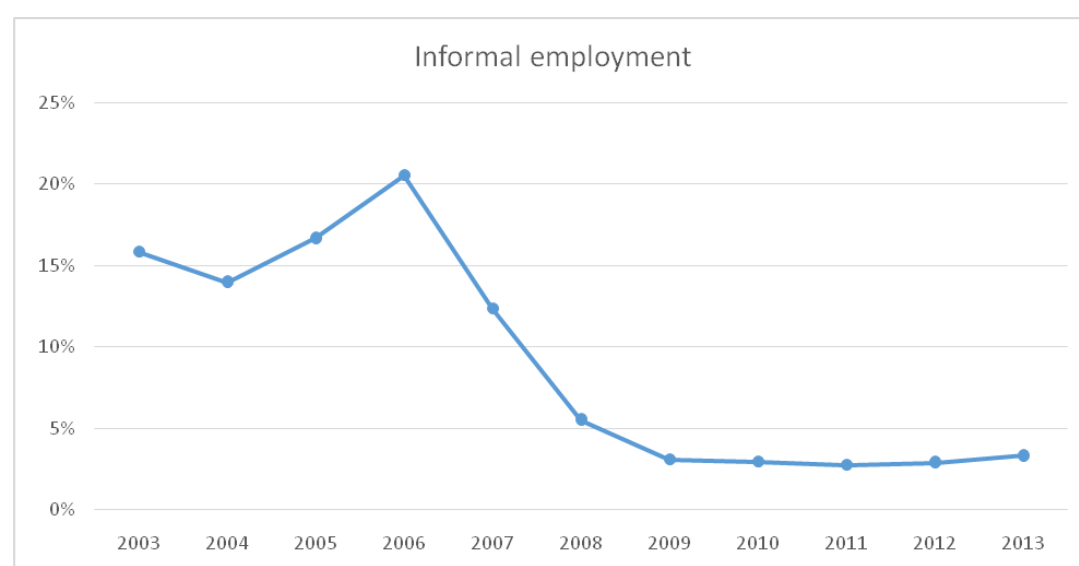
of the population between the ages of 15 and 64 were employed. However, the unemployment rate is still too high and could impact negatively on the municipality as low affordability levels generally result in poor payment rates for services.



Source: ECSECC 2013

The following observations are made:

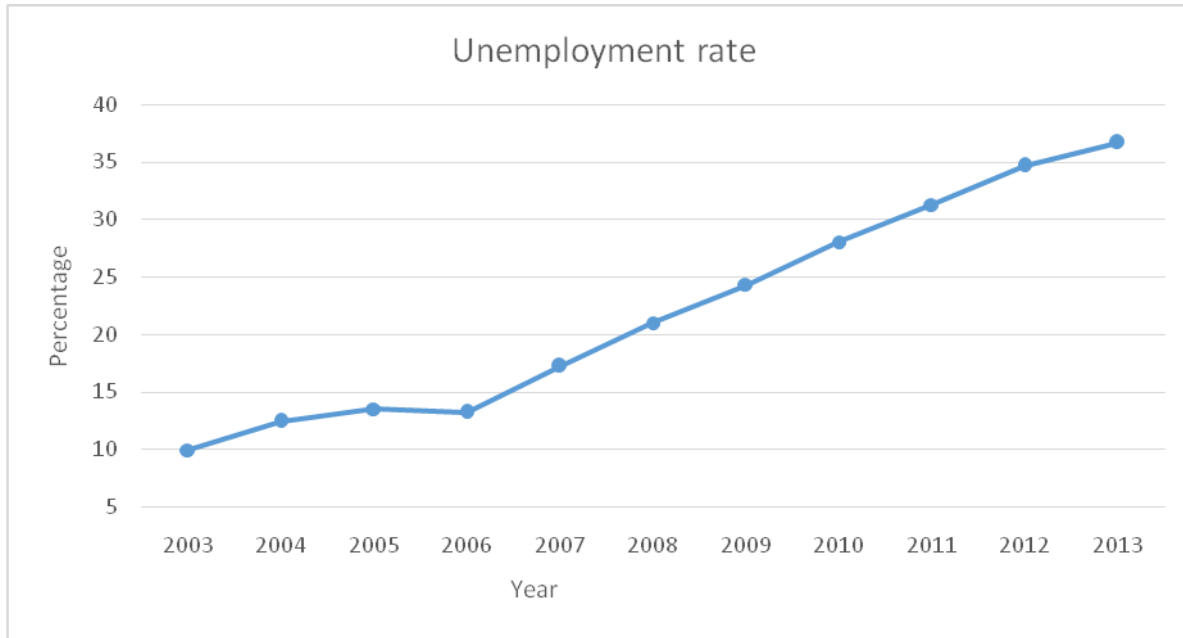
- During the period 2012 and 2013 most employment is from Community, Government and Trade sectors at about 22%
- In the same period Construction and Agriculture follow at about 14%



The following observations are made:

- From 2006 to 2013 informal employment had drastically declined from around 20% to low level of about 3%

- For five (5) years from 2009 informal employment had been standing at that average of 3% in the municipality
- The assumption is that the informal employment does not easily provide information



The following observations are made:

- From 2006 to 2013 unemployment rate had increased from around 13% to a level of approximately 37%

#### Formal and Informal employment

- Total employment can be broken down into formal and informal sector employment.
- Formal sector employment is measured from the formal business side, and the informal employment is measured from the household side where formal businesses have not been established.
- Formal employment is much more stable than informal employment.
- Informal employment is much harder to measure and manage, simply because it cannot be tracked through the formal business side of the economy.
- Informal employment is however a reality in South Africa and cannot be ignored.

The Ikwezi Local Municipality is characterised by low levels of employment and a high percentage of people who are not economically active. This in turn accounts for the high poverty levels and low income levels. High unemployment rates impact negatively on municipalities as low affordability generally result in a poor payment rate for services. Only 25% of the population are formally employed.



### 1.2.11 Income and Expenditure

Personal income / household: labour remuneration, income from property, transfers etc.

In a growing economy among which production factors are increasing, most of the household incomes are spent on purchasing goods and services.

Therefore, the measuring of the income and expenditure of households is a major indicator of a number of economic trends.

It is also a good marker of growth as well as consumer tendencies.

### 1.2.12 Number of Households by Income category

The number of households is grouped according to predefined income categories or brackets, where income is calculated as the sum of all household gross disposable income: payments in kind, gifts, homemade goods sold, old age pensions, income from informal sector activities, subsistence income, etc.).

Note that income tax is included in the income distribution. Income categories start at R0 - R2 400 per annum and go up to R2 400 000+ per annum. These income brackets do not take into account inflation tiptoe: over time, movement of households "up" the brackets is natural, even if they are not earning any more in real terms.

SOCIO ECONOMIC ANALYSIS	IKWEZI AREA (STATSSA 2011)	%		IKWEZI AREA (STATSSA 2011)	%
<b>Individual Income</b>			<b>Household Income</b>		
No income	3655	34.7	No income	314	10.8
R 1 - R 400	1431	13.6	R 1 - R 4800	133	4.6
R 401 - R 800	742	7.0	R 4801 - R 9600	270	9.3
R 801 - R 1 600	2156	20.5	R 9601 - R 19 600	871	29.9
R 1 601 - R 3 200	369	3.5	R 19 601 - R 38 200	650	22.3
R 3 201 - R 6 400	238	2.3	R 38 201 - R 76 400	324	11.1
R 6 401 - R 12 800	227	2.2	R 76 401 - R 153 800	181	6.2
R 12 801 - R 25 600	111	1.1	R 153 801 - R 307 600	130	4.5
R 25 601 - R 51 200	17	0.2	R 307 601 - R 614 400	31	1.1
R 51 201 - R 102 400	5	0.0	R 614 001 - R 1 228 800	5	0.2
R 102 401 - R 204 800	7	0.1	R 1 228 801 - R 2 457 600	3	0.1
R 204 801 or more	1	0.0	R 2 457 601 or more	2	0.1
Unspecified	1408	13.4	Unspecified	-	-
Not applicable	169	1.6		2915	100.0

: StatsSA

### 1.2.13 Annual total Personal Income

Personal income is an even broader concept than labour remuneration. Personal income includes profits, income from property, net current transfers and net social benefits.

Definition: Annual total personal income is the sum of the total personal income for all households in a specific region.

The definition of income is the same as used in the income brackets (Number of Households by Income Category), also including the income tax.

For this variable, current prices are used, meaning that inflation has not been taken into account.

#### **1.2.14 Annual per Capita Income**

Per capita income refers to the income per person.

Thus, it takes the total personal income per annum and divides it equally among the population.

Per capita income is often used as a measure of wealth particularly when comparing economies or population groups.

Rising per capita income usually indicates a likely swell in demand for consumption.

#### **1.2.15 Index of Buying Power**

The Index of Buying Power (IBP) is a measure of a region's overall capacity to absorb products and/or services.

The index is useful when comparing two regions in terms of their capacity to buy products. Values range from 0 to 1 (where the national index equals 1), and can be interpreted as the percentage of national buying power attributable to the specific region.

Regions' buying power usually depends on three factors: the size of the population; the ability of the population to spend (measured by total income); and the willingness of the population to spend (measured by total retail

#### **1.2.16 Development**

Indicators of development, like the Human Development Index (HDI), Gini Coefficient (income inequality), poverty and the poverty gap, and education, are used to estimate the level of development of a given region in South Africa relative to the rest of the country.

Another indicator that is widely used is the number (or percentage) of people living in poverty.

Poverty is defined as the deprivation of those things that determine the quality of life, including food, clothing, shelter and safe drinking water.

More than that, other "intangibles" is also included such as the opportunity to learn, and the privilege to enjoy the respect of fellow citizens

Curbing poverty and alleviating the effects thereof should be a premise in the compilation of all policies that aspire towards a better life for all.

### 1.2.17 Gini Coefficient

- The Gini coefficient is a summary statistic of income inequality.
- It varies from range 0 to 1. If the Gini coefficient is equal to zero, income is distributed in a perfectly equal manner, in other words there is not a lot of variance between the high and low income earners within the population.
- The case where one household earns all the income and other household earns nothing
- In contrast, if the Gini coefficient equals 1, income is completely inequitable, i.e. one individual in the population is earning all the income and the rest has no income. Generally this coefficient lies in the range between 0.25 and 0.70.

### 1.2.18 Human Development Index (HDI)

The Human Development Index (HDI) is a composite relative index used to compare human development across population groups or regions.

HDI is the combination of three basic dimensions of human development: A long and healthy life, knowledge and a decent standard of living. ( life expectancy , literacy and income

A long and healthy life is typically measured using life expectancy at birth. Knowledge is normally based on adult literacy and / or the combination of enrolment in primary, secondary and tertiary schools. In order to gauge a decent standard of living, we make use of GDP per capita.

HDI can have a maximum value of 1, indicating a very high level of human development, while the minimum value is 0, indicating no human development.

Sara BARTMAAN	Ikwezi
0.60	0.56
0.60	0.55

Source: ECSECC 2013

### Household Infrastructure

It is the basic facilities, services and installation needed for the functioning of the community or society, such as transportation and communication system, water and power lines and public institutions including schools post offices and prisons.

- Drawing on the household infrastructure data of a region is of essential value in economic planning and social development. Assessing household infrastructure involves the measurement of four indicators:
- Access to dwelling units
- Access to proper sanitation
- Access to running water
- Access to refuse removal
- Access to electricity

A household is considered "serviced" if it has access to all four of these basic services. If not, the household is considered to be part of the backlog.


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## Vision and Mission

“We strive to be an economically self-sustainable and socially responsive municipality, committed to improve the quality of life for the Ikwezi residents. We believe our primary responsibility is to the residents of Ikwezi by providing quality services by promoting and deepening democracy, stimulate socio-economic development, and promote active citizenship, whilst recognizing the value and mutual benefits of networking and strategic partnerships.”

## **PRIORITIES, OBJECTIVES AND STRATEGIES.**

Based on the situational analysis and prompted by the needs of the community of Ikwezi, the municipality will continue its focus on the five priorities to guide the allocation of scarce resources.

Ikwezi Municipality has identified development priorities as follows:

- Rural Economic Development and Investment
  - Infrastructure investment
  - Institutional Growth and Development
  - Human Development (building the people of Ikwezi)
  - Social Transformation.
-

### 1.3 SERVICE DELIVERY OVERVIEW

#### Background

The municipality was, and still is mandated to ensure that service delivery is executed in accordance with the provisions of the Constitution and Batho Pele principles. In addition to the above, the Infrastructure Directorate strives to address the service delivery needs of the communities in a participatory and sustainable manner.

The infrastructure and community development department is assigned with the following functions within the municipal core functions:

- Solid Waste Management (Refuse removal, Street cleaning and the Solid waste disposal sites)
- Waste Water Management
- Provision, operation and maintenance of water and sanitation services in all towns of Ikwezi.
- Construction and Maintenance of roads and storm water
- Distribution, operation and maintenance of electricity in Jansenville.
- Project Management Unit(PMU)
- Expanded public works programme (EPWP).
- Housing development and Town Planning.

The District Municipality is responsible for Environmental Health and Fire Services in terms of section 84(1) (i) and (j) of the Municipal Structures Act. Agreements have been signed with the district municipality to render these services.

As the core business of the municipality. Ikwezi Municipality has managed to increase the levels of access to basic services within the jurisdiction of Ikwezi:

#### Access to Basic Services:

Access to water = 100%

Access to Sanitation = 98%

Access to Refuse Removal = 100%

Access to Electricity = 100%

## **1.4 FINANCIAL OVERVIEW**

## **1.5 ORGANISATIONAL DEVELOPMENT OVERVIEW**

During the year under review, the municipality has reviewed its organisational structure in line with the regulations and was adopted by Council. New additional posts were created. (See attached Organogram).

## **1.6 AUDITOR GENERAL REPORT 2014/2015**

The Ikwezi Municipality received a Disclaimer audit report in respect of the 2014/2015 financial year. The municipality operates in an unstable administrative environment. Its governance structures are not functioning as they should. The Final Audit Report is attached to this annual report.

## **CHAPTER 2: GOVERNANCE**

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Good governance has 8 major characteristics. It is participatory, consensus orientated, accountable, transparent, responsive, effective, equitable, and inclusive and follows the rule of law. It ensures that corruption is minimized, the views of minorities are taken into account and that the voices of the most vulnerable in society are heard in decision-making. It is also responsive to the present and future needs of society.

## 2.2 POLITICAL GOVERNANCE STRUCTURE

The council performs both the legislative and executive functions. They focus on legislative, oversight and participatory roles, and have delegated its executive function to the Mayor. Their primary role is to debate issues publicly and facilitate political debate and discussion. Apart from their functions as decision makers, Councillors are also actively involved in community work and the various social programmes in the municipal area.

### COUNCIL

Ikwezi Local Municipality is a Plenary Type and is made up of seven councillors, five councillors drawn from the ruling party, namely the ANC and two councillors from the DA.

**Below is the table that categorises the councillors within their specific political parties and wards :**

NAME OF COUNCILLOR	CAPACITY	POLITICAL PARTY	WARD REPRESENTING OR PROPORTIONAL	GENDER
Cllr. S. Mngwevu	Mayor/Speaker	ANC	PR	Male
Cllr. K. Hendricks	Councillor	ANC	Ward 1	Female
Cllr. A. Mboneni	Councillor	ANC	Ward 2	Male
Cllr. L. Ntame	Councillor	ANC	Ward 3	Male
Cllr. M. Bonaparte	Councillor	ANC	Ward 4	Female
Cllr. W. Seekoei	Councillor	DA	PR	Male
Cllr. J. Lewis/ Alberts	Councillor	DA	PR	Male/ Female

Ikwezi Municipality has the following section 79 Committees:

1. Infrastructure & Community Development
2. Strategic Support
3. Finance & Administration

Ikwezi Local Municipality is a Plenary System where the speaker serves as the Mayor. This means that he has an overarching strategic and political responsibility. The key element of the

executive model is that executive power is vested in the Honourable Mayor, delegated by the Council, as well as the powers assigned by legislation. Although accountable for the strategic direction and performance of the Municipality, the Honourable Mayor operates in alignment with the plenary system.

**The name and portfolio of each Member of the Portfolio Committee is listed in the table below.**

<b>NAME OF MEMBER</b>	<b>CAPACITY</b>
Cllr Hendricks	Financial and Administration
Cllr Ntame	Strategic Planning
Cllr Mboneni	Infrastructure and community services

## **2.2 ADMINISTRATIVE GOVERNANCE STRUCTURE**

The Municipal Manager is the head of the administration, and primarily has to serve as a chief custodian of service delivery and implementation of political priorities. The Municipal Manager is assisted by directors, which constitutes the Management Team, whose structure is outlined in the table below:

<b>NAME OF OFFICIAL</b>	<b>DERPARTMENT</b>	<b>PERFORMANCE AGREEMENT SIGNED</b>
		<b>(YES/NO)</b>
Mr. T. Gutas	Municipal Manager	Dismissed
Ms D. Sauls	Chief Financial Officer	Dismissed
Mrs M. Mpahlwa	Director of Strategic Support	Yes
Mr. Z. Nongene	Director of Infrastructure and Community Development	No / Position vacant

## **2.3. PUBLIC ACCOUNTABILITY AND PARTICIPATION**

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Public participation resides in the office of the mayor. However, these functions are sometimes carried out by departments depending on the nature of the information to be disseminated. Issues covered during these public engagement sessions include service delivery and information sharing among stakeholders.

Section 16 of the Municipal Systems Act (MSA) refers specifically to the development of a culture of community participation within municipalities. It states that a municipality must develop a culture of municipal governance that compliments formal representatives of government with a system of participatory governance. For this purpose it must encourage and create conditions for the local community to participate in the affairs of the municipality. Such participation is required in terms of:

- The preparation, implementation and review of the IDP;
- Establishment, implementation and review of the Performance Management System;
- Monitoring and review of the performance, including the outcomes and impact of such performance; and
- Preparation of the Municipal Budget.

## **2.4 INTERGOVERNMENTAL RELATIONS**

### **NATIONAL INTERGOVERNMENTAL STRUCTURES**

The municipality does not participate in any national forums or structures that deal with specific outcomes of government.

### **PROVINCIAL INTERGOVERNMENTAL STRUCTURES**

The Ikwezi Municipality attends meetings of the following provincial intergovernmental structures:

- Provincial Steering Committee on EPWP
- Provincial CWP Forum
- Provincial Anti-Poverty Steering Committee
- Legal Advisors Forum
- SPLUMA
- Technical MUNIMEC
- Political MUNIMEC
- Provincial Water Forum

### **DISTRICT INTERGOVERNMENTAL STRUCTURES**

- District Wide Infrastructure Forum
- LED District Support Team
- EPWP Steering Committee
- Municipal Managers Forum
- Chief Financial Officers Forum

- Mayors Forum
- District Communicators Forum
- IDP Representative Forum

Meetings of the above structures are convened by the Provincial Government and the Sarah Baartman District Municipality.

In order to comply with legislative requirements and fulfil its obligations in terms of co-operative governance and intergovernmental relations, the Ikwezi Local Municipality has established a number of technical and internal structures and systems, including:

- IDP Steering Committee
- IDP Representative Forum
- Business Forum
- Local HIV/Aids Council
- Women's Forum
- Youth Forum
- Sports Forum
- Religious Forum

## **2.5 WARD COMMITTEES**

The ward committees supports the Ward Councillor who receives support on development, participates in development planning processes, and facilitates wider community participation. To this end, the Municipality constantly strives to ensure that all ward committees function optimally with community information provision, convening of meetings, ward planning, service delivery, and IDP formulation and performance feedback to communities. The municipality has taken the lead in establishing operational ward committees in all four wards.

Members were elected through a nomination process by community members residing in Wards and appointed by council. The Ward councillors are the Chairpersons of the various Ward Committees. Open communication channels and interaction exist between the Ward Committee members, the various municipal organisational structures and other interested non-governmental bodies in the Ikwezi municipal area.

## **2.6 ANTI-CORRUPTION AND FRAUD PREVENTION**

Section 83 ( C ) of the MSA refers to the implementation of effective bidding structures to minimize the possibility of fraud and corruption and the Municipal Finance Management Act (MFMA), Section 112 ( 1) (m) ( i ) identify supply chain measure to be enforced to combat fraud and corruption, favouritism and unfair irregular practices. Section 115 (1) of

the MFMA states that the accounting officer must take steps to ensure mechanisms and separation of duties are in place in a supply chain management system to minimize the likelihood of corruption and fraud.

The municipality has developed an Anti-corruption and Fraud Prevention Strategies. These documents need to be reviewed.



## CHAPTER 3: BASIC SERVICE DELIVERY

### 3.1 BASIC SERVICE DELIVERY

#### 3.1.1 Basic services delivery Performance highlights

During the year under review, the municipality of Ikwezi was faced with a number of challenges which involved administrative and financial constraints, in terms of implementing the capital projects. Beside the challenges that the municipality was faced with, numerous positive things can be highlighted in terms of services that were improved in order to better the livelihood of the communities. One of the major highlights which can be identified by the municipality was the supply and improvement of water quality.

Over the last number of years or since the establishment of the area of Jansenville, the municipality has been experiencing problems with the quality of water. Ground water has been used as the only source of water supply in the entire area of Jansenville. It was a matter of urgency for the municipality to improve the quality and supply of water.

This matter of water quality was also fuelled by the announcement of Water Results in 2012, which was announced by the Honourable Minister of Water Affairs, Ms Bomo Edna Molewa, whereby she described the issue of water quality in the area of Ikwezi, particularly in Jansenville as a matter of **“grave concern”**.

Based on the results and statements, the municipality was issued with a directive and had to respond within twenty one days, in terms of what actions were going to be implemented to remedy the situation. One of the most important things that the municipality managed to deal with successfully was to ensure that there are people who are not being affected by the quality of water; this was proven by collecting different types of results from local clinics and hospitals in order to determine whether there were incidents of people with diseases that were caused by the quality of water. The information that was collected confirmed that there were no people that were admitted to the hospital or local clinics with any water related disease. The municipality then started to ensure that all the households within the area of Ikwezi Municipality are provided with Rain Water Harvest Tankers, as one of the control measure to ensure that people are using rainwater for consumption. The project was a success for the area of Jansenville and Klipplaat.

After such intervention, programmes such as water conservation and demand management were introduced in the area of Ikwezi. Such programmes were supplemented by the initiative, **“Boil Water Notice”** which was largely considered as one of the major campaigns of the municipality. This campaign created awareness to the community who used tap water, about the importance of boiling it before consumption.

The “Boil Water Campaign” was also included on the consumer bill account of the municipality in order for people to take note of the importance of the information. The notice included the contact details of the municipality for the purpose of reporting all water leakages and faulty meters. In addition to this, there were



programmes which initiated competitions at local schools, to ensure that the message of the “Boil Water Campaign” reached all the people within the Ikwezi Municipality region. After the campaigns, there were other programmes which were implemented jointly between the Department of Water Affairs, Sarah Baartman District Municipality and Ikwezi.

One of those projects was the introduction of the RRU (Rapid Response Unit) of the Department which was sent to assist the municipality with challenges that were water related. The team was actually introduced on the basis that it would just assist within the period of three to six months once everything had been stabilised at the municipality. The team was of great assistance to the municipality, because issues such as water disaffection, dosage on the reservoirs, business plans to access funding for repairs and maintenance of the required infrastructure were explored and developed. The programme assisted with the establishment of the Karoo Cluster Shared Service Model, the model where the available resources of the municipalities of the Karoo Cluster were going to be shared equally.

One of the biggest programmes to ensure the improvement of the water quality and supply was made possible through the funding received from the SBDM. This was to investigate the possibility of Deep Drilling within the Ikwezi Area. The programme of Deep Drilling was actually initiated in order to establish if the municipality can drill deeper than the existing boreholes, and to explore the possibilities of obtaining water of a better quality. The first results from the initiative yielded positive results. After the analysis it was then agreed that the programme of Deep Drilling such be explored further.

A deep borehole of about 210 meters deep was drilled and equipped in order to supplement the existing boreholes. During this process, it was agreed that some of the boreholes must be refurbished in order to ensure proper management and maintenance of those resources. After the implementation of Deep Drilling, the two boreholes in the area, Kruitwater was then shut down. The boreholes of Kruitwater have a stronger supply of water, but a high content of Manganese (Mn). The quality of water has not yet improved to the required standard of SANS 241, however it must be noted that a vast improvement has been made on the site of water supply and quality thereof in the area of Jansenville. Ikwezi Local Municipality is committed to the work that still needs to be done in order to ensure that the community enjoys better water provision and quality.

### **3.1.2 Basic services delivery challenges**

In term of Service Delivery Challenges in the municipality of Ikwezi, one can easily identify a number of challenges, ranging from resources, finance, recruitment of skilled personnel in the area etc. However the most critical issue especially in the area of Jansenville as the administrative area of the municipality is the issue of water quality. In order for a small town to develop, there will be those kinds of issues which are being set as the major drivers of the economy of that particular area. Farming, Game Reserves and Mohair are actually the main contributors of the economy in the area, but it is very difficult for the area to attract more investors to explore the avenues such as shopping centres, fuel stations and any other sort of trading. This is because the quality of water remains a problem for investors in the area.

There are service delivery challenges in the municipality such as lack of resources and financial constraints. This results in backlogs, especially on the roads, infrastructure, water and public facilities.

The semi-rural nature of the area makes it difficult for the municipality to absorb and retain the right type of personnel that would assist them in terms of ensuring that service delivery is being fast tracked to all the areas within the jurisdiction of the municipality.

### 3.1.3 Access to Free Basic Services

During the year under review, the municipality of Ikwezi has done a lot in terms of ensuring that communities within the area are actually becoming the first ones to benefit from the Free Basic services that are being provided either by National, Provincial or Local Government.

In terms of recent results published by Statistics South Africa, it has been revealed that 44.1% of the population in the area depends on Government Grants. Hence the municipality is forced to subsidize these households via the equitable share of the municipality in order to ensure that they benefit from services rendered.

The municipality is providing the following Free Basic Services:

1. Water services – the municipality is actually providing more than has been set out by the National Government of 6KL per month to all the households. The municipality is charging a flat rate of R48 to all households. Based on the Intervention/analysis which was conducted by RRU, it was established that the municipality is actually providing all its households with a maximum of 14KL per month.
2. Electricity services – the municipality is in line with the norm as set out by the regulator for electricity provision, which requires the municipality to provide households which do qualify for free basic electricity at a range of 50kwh per month. In order for all the households to benefit from those kinds of service, the municipality has developed a policy framework which seeks to guide the process and a procedure that must be followed in order to be registered as the rightful owner, who can benefit from the Free Basic Services.

In the same policy framework, the municipality has laid out the guidelines that need to be followed in terms of ensuring that one doesn't remain on the Indigent Register forever. The register is reviewed on a bi-annual basis, in order to ensure that if the status of the households does change within the duration of six months to a year, then the municipality is able to remove that beneficiary from the list.



### 3.1.4 Access to basic level of services

#### a) Capital budget spent on municipal services

During the year under review, the municipality received a total allocation of R10, 806,000 which was set aside for the implementation of Capital Projects within Ikwezi. The source of funding was the Municipal Infrastructure Grant (MIG). As per the schedule of commitment that was submitted to the provincial as well as the National MIG office, the following projects were supposed to be implemented during the 2014/15 financial year of the municipality:

1. Upgrading of Phumlani Access Road with the allocation of R4,2 million
2. Upgrading of the Waste Water Treatment Works In Klipplaat with the allocation of R6,2 million
3. PMU top slice of 5% which was R406,000

All the above projects were advertised and all the relevant supply chain procedures were followed in terms of ensuring that there is fairness, transparency and competitiveness during the procedures.

The project of the Treatment Works in Klipplaat was also planned to start in the same financial year, but due to the financial constraints of the municipality, the project was placed on hold. Hence it was agreed that the Phumlani Access Road should be implemented simultaneously with the Town Hall project in order to accommodate the available amount of MIG. The project began well, but in the middle of the project, there were some financial difficulties that were experienced by the municipality in terms of paying the service providers within the specified timeframe of thirty days after receipt of such invoice. As the results of the non- payment, the contractor cancelled their agreement. As a result of the commitment from the municipality to provide basic service delivering and uplift its community, they were able to complete/spend all the funds that were allocated to the municipality for the 2014/15 financial year.

#### b) Percentage spending on total capital budget

In terms of the allocated amount versus the expenditure amount, the municipality was able to spend 100% of its allocated budget on the Capital projects which were registered and funded by the Municipal Infrastructure Grant.

#### c) Summary of backlogs that must still be addressed

The table below indicate the backlog challenges that are still outstanding for the municipality of Ikwezi.

Performance Indicator	Baseline	Total	Total	Annual	Quarterly Targets				Comment
	Households	served	backlog	target	April - June	July - Sept 2013	Oct - Dec 2013	Jan - Mar 2014	
% of households (total number of households in the municipality) with access to basic level of water <b>Note: Only WSAs</b>	2 579	29 477 (100%)	0	0	0	0	0	0	Bulk Infrastructure is still a challenge especially quality water infrastructure as well as challenges around the quality of the water, which has to be purified.  of sourcing water from outside Ikwezi municipal boundaries in order to address the current water backlog. The investigation of Deep Geophysical Drilling has also been explored by the municipality to ensure that the quality of water is being improved.
% of households (total number of households in the municipality) with access to basic level of sanitation <b>Note: Only WSAs</b>	2 579	2 470 (96%)	109	0	0	0	0	0	109 household have bucket toilets. These Bucket Toilets will be eradicated once the Bulk water infrastructure is upgraded to enable the Dept. of Human to build RDP which those RDP houses will have water borne sanitation/ flushed toilets inside. No sanitation project is currently running .
% of households (total number of households in the municipality) with access to basic level of refuse removal <b>Note: Only LMs</b>	2 579	2 502 (97%)	77	0	0	0	0	0	3% of households dispose of their own refuse. No solid waste related project is being implemented.
% of households (total number of households in the municipality) with access to basic level of electricity <b>Note: Only LMs</b>	2 579	2 414 (93.6%)	165	0	0	0	0	0	No electrical infrastructure related project is being implemented by Ikwezi LM.

### 3.1.5 Water and Sanitation

#### a) Report on the Water Services Development Plan

Under the Municipal Structures Act (No 117 of 1998), Ikwezi Local Municipality was appointed as the Water Services Authority (WSA) and in this capacity inherited the powers and functions of both the old Water Service Authority and the old Water Service Provider (WSP) bodies. Under these expanded responsibilities, the Water Service Authority has a duty to all consumers, or potential consumers, in its area of jurisdiction to progressively ensure efficient, affordable, economical and sustainable access to water and sanitation services.

To achieve this, the Water Services Authority must take a leading role in planning:

- ☐ Service Level Objectives
- ☐ Water Resources
- ☐ Water Conservation and Demand Management
- ☐ Bulk Infrastructure
- ☐ Institutional Arrangements and Organisational Support
- ☐ Financial Management & Tariff Policy

In general terms, as a WSA, Ikwezi Municipality must focus on establishing service provider capacity and bringing basic services to consumers in their areas. The Water Services Development Plan (WSDP) is a key tool in achieving this objective. The WSDP also feeds information into the Integrated Development Plan (IDP), which is the annual multi-sectoral plan of the Ikwezi Municipality.



## Strategies and Methodologies for Water Services Planning

This Water Services Development Plan is the first to be prepared in compliance with the latest DWA Guide framework and Checklist for the development of Water Services Development Plans. These Guidelines require that the bulk of the WSDP be prepared in a pre-defined MS Excel spreadsheet format.

## Supporting Documents

The following supporting documents are attached on the complete documentation of the Ikwezi WSDP:

1. Maps:
  - Plan 1: Ikwezi LM Location in Sarah Baartman District Municipality
  - Plan 2: Ikwezi Geology
  - Plan 3: Ikwezi Rainfall per Quaternary Plan
  - 4: Ikwezi Rainwater Harvest Potential Plan
  - 5: Ikwezi Water Quality
  - Plan 6: Ikwezi Water Supply Areas
  - Plan 7: Jansenville Town Erven
  - Plan 8: Jansenville Bulk Water Layout
  - Plan 9: Jansenville Water Infrastructure (GIS data)
  - Plan 10: Klipplaat Town Erven
  - Plan 11: Klipplaat Bulk Water Layout
  - Plan 12: Klipplaat Water Infrastructure (GIS data)
  - Plan 13: Waterford Bulk Water Layout
  - Plan 14: Waterford Photos
2. Jansenville Water Infrastructure Layout
3. Klipplaat Water Infrastructure Layout
4. Ikwezi Water Services Provider Business Plan, dated February 2012
5. Ikwezi Blue Drop Assessment 2011
6. Ikwezi Green Drop Assessment 2011
7. Jansenville Water Conservation and Demand Management Business Plan, dated 9 March 2012
8. Jansenville Water Conservation and Demand Management Progress Report, dated 31 January 2012
9. DWA Jansenville All Towns Water Resources Reconciliation Report
10. DWA Klipplaat All Towns Water Resources Reconciliation Report
11. Water Quality Test Results for Jansenville and Klipplaat
12. Ikwezi Municipality Audit Report - June 2011
13. Ikwezi Municipality Rates and Tariffs 2010-2011
14. Ikwezi Municipality Debtor Age Analysis to June 2011
15. Ikwezi Municipality Water Income and Expenditure Budget for 2010 2011
16. Ikwezi Municipality Sewerage Income and Expenditure Budget for 2010 2011
17. Ikwezi Credit Management and Cash Collection Policy
18. Ikwezi Municipality Staffing Organogram
19. Water Supply and Sanitation By-Law
20. Ikwezi Municipality Staffing Organogram
21. Indigent Policy
22. Indigent Register at 31 January 2012
23. Customer Care and Revenue Management By-law
24. Ikwezi Integrated Development Plan for 2011/12
25. Ikwezi Water Sector IDP Report 2011
26. Ikwezi IDP Budget and Process Plan 2011 / 2012

27. Sarah Baartman District Municipality Integrated Development Plan
28. Ikwezi Water Services Development Plan 2007
29. Jansenville Preliminary Design Report
30. Infrastructure Photographs
31. OHS Reports for Jansenville and Klipplaat
32. Shared Services Plan and Agreement



## b) Water Service Delivery Levels

In line with the WSDP of Ikwezi Local Municipality, the municipality as both Water Service Authority and Provider, must develop the standards of service levels, which must be published and announced to all the residents of the Municipality.

Those service levels standards must indicate clearly the turnaround time of the municipality in terms of providing such services. In this case the service standards for Water provision has been set by the municipality of Ikwezi whereby the municipality has the following turnaround time in terms of attending and responding to the services of water provision to its consumers:

- ☐ Leaking pipe outside the erf boundaries of each yard and the meter distance to the water meter-that particular area has been described as the area of operation for the municipality, which mean the municipality must attend to such a problem within the required period of **2hours**.
- ☐ If there is a bulk line that needs to be attended to by the municipality, they have a system in place, of announcing to all the consumers that the water will be turned off, while the team is attending to the repairs of the bulk line, and the turnaround time is the approximately **5hours**.

Based on the timeframes indicated above, the compliance register is also available in order to monitor the actual implementation of such service standards.

It should be noted, that during the drought season in the area, the municipality is forced to place a restriction order in terms of water utilization, those restrictions indicate the time and the duration for which water will be turned on and off. This is mainly caused by the water table levels, especially when its summer in the Karoo.

	Indicator name	Total number of household/customer expected to benefit	Estimated backlogs (actual numbers)	Target set for the FY under review (actual numbers)	Number of HH/customer reached during the FY	Percentage of achievement during the year
1	Percentage of households with access to potable water	2915	0	0	2915	100%
2	Percentage of indigent households with access to free basic potable water	2915	0	0	2915	100%
4	Percentage of clinics with access to potable water	3	0	0	3	100%
5	Percentage of schools with access to potable water	8	0	0	8	100%



### c) Sanitation Service Delivery Levels

Ikwezi Local Municipality has done well over the years to ensure that the set targets for 2007 bucket eradication are being met. However there were some areas that were not completed during the implementation stage of the Bucket Eradication projects. In the Area of Klipplaat there were 62 households which were not connected, and 34 in Jansenville. The area of Wolwefontein and Waterford were also not connected yet. However during the year under review, a total of 50 units which were occupied by beneficiaries were actually connected to the area of Klipplaat or those units were upgraded from Bucket to Full Waterborne Sanitation services.

Wolwefontein was actually attended to, by ensuring that all the buckets system that were in place are being replaced by the Ventilated Improved Pits (VIP's).

According to the plans and the application for funding, the eradication of 32 units will take place in the 2014/15 year. It is anticipated that the same process will be done in the 2016/17 financial year in Waterford, when the Department of Human Settlements will be implementing the 66 housing units which are critical to the area. In line with the service standard of the Municipality for sanitation service, there is has no actual duration or turnaround time to attend to the blocked drainage system. However, if the matter has been reported to the municipality, it gets registered in the compliance book so that when the supervisor for Sanitation visits the office to collect the compliance, it results in those households who have reported their blocked system being prioritised.

Indicator name	Total number of household/customer expected to benefit	Estimated backlogs (actual numbers)	Target set for the f. year under review	Number of HH/customer reached	Percentage of achievement during the year
<b>Households with access to sanitation services</b>	2817	98	50	50	100%
<b>Indigent households with access to free basic sanitation services</b>	2915	0	0	2915	100%
<b>Clinics with access to sanitation services</b>	3	0	1	1	100%
<b>Schools with access to sanitation services</b>	8	1	1	1	100%

On the improvement of sanitation services, the improvement of the Green Drop Status of the municipality must be taken into consideration. The moderated scores of the assessment has indicated a marked improvement which is illustrated as follows:

## Ikwezi Local Municipality

### Water Services Authority

Water Services Provider(s)

Ikwezi Local Municipality

**2013 Municipal Green Drop Score**

**56.20% ↑**

**2011 Municipal Green Drop Score**

**2.00%**

**2009 Municipal Green Drop Score**

**0.00%**

Key Performance Area	Weight	Jansenville	Klipplaat
Process Control & Maintenance Skills	10%	88	67
Monitoring Programme	15%	24	21
Submission of Results	5%	10	0
Effluent Quality	30%		
Compliance		20	20
Risk Management	15%	78	100
Local Regulation	5%	20	32
Treatment Capacity	5%	79	6
Asset Management	15%	73	58
Bonus Scores		10.80	10.80
Penalties		0.00	0.00
<b>Green Drop Score (2013)</b>		<b>57.15%</b>	<b>52.25%</b>
2011 Green Drop Score		<b>2.50%</b>	<b>1.50%</b>
2009 Green Drop Score		<b>0.00%</b>	<b>0.00%</b>
System Design Capacity	MI/d	1	0.24
Capacity Utilisation (% ADWF to Design Capacity)		76.00%	NI (151.00%)
Resource Discharged into		Sunday/ Sondag River (nearest river)	Heuning Klip river, 15 to 20 meters from plant
Microbiological Compliance	%	100.00%	100.00%
Chemical Compliance	%	50.00%	25.00%
Physical Compliance	%	66.67%	66.57%
Overall Compliance	%	66.67%	NI
<b>Wastewater Risk Rating (2012)</b>		<b>52.90%</b>	<b>100.00%</b>
<b>Wastewater Risk Rating (2013)</b>		<b>52.94%</b>	<b>64.71%</b>

The regulatory Impression was as follows:

Ikwezi Local Municipality is to be commended for the substantial and noteworthy improvement in the Green Drop score at the two wastewater systems. An improvement from 2% to 56.2% is commendable and comes with first-rate commitment and preparation by the team. With continued effort and careful reckoning of the future GDC requirements, it is anticipated that an upward trend will continue. The Jansenville WWTW technical site score of 87% is in particular congratulated.

Through the development of the GDIP and W2RAP, a number of gaps in compliance that have been identified have already been attended to. This will contribute towards an improvement in compliance at the next Green Drop assessment. This includes the implementation of compliance monitoring and uploading of the results to the GDS, flow metering at the Jansenville WWTW, and improved record keeping, including operational and maintenance logbooks. This will facilitate the optimisation of the treatment performance and improve the quality of effluent that is discharged to the environment. Both plants are categorised as medium risk with a downward trend noted for the Klipplaat WWTW. The municipality is encouraged to continue to prioritise the risk based approach to wastewater management to continue the trend of increasing Green Drop compliance and lower risk rating.

#### Green Drop findings:

- ☐ The lack of compliance monitoring information significantly impacts the risk rating and improvement in Green Drop compliance.
- ☐ A storm water management plan and WCWDM plan have been developed to minimise the ingress of water into the sewer system.
- ☐ Both plants have a valid authorisation in which regulatory compliance can be monitored.
- ☐ Although process audits have been conducted at the WWTWs, inspections and capacity assessments have not been undertaken on the collector system.
- ☐ Electricity consumption should be monitored and future projected consumption estimated to guide budgetary provisions.
- ☐ A sludge management programme has been developed and implemented. Sludge should be classified and disposed of in accordance with the WRC guidelines.

### Site Inspection Report

#### Jansenville 87%

The Jansenville plant was inspected to verify the findings of the Green Drop audit:

- ☐ Operational and maintenance logbooks were implemented since August 2012 and are well maintained with daily entries.
- ☐ The site is well maintained with good signage and access controlled.
- ☐ Good operation of the screens and grit removal was observed.
- ☐ Flow is measured manually at the parshall flume. A 24 hour programme was implemented to establish the daily flow profile to verify that all sewage reaches the WWTW. Raw sewage analysis commenced in July 2012.
- ☐ The ponds are well operated and maintained.

#### 3.1.6 Electricity

During the year under review, there were a number of capital projects if that were implemented by the municipality within the area of Ikwezi. The main reason behind that was the huge improvement which was done during the previous 2012/2013 financial year, whereby the municipality actually addressed all the MV/LV network of the municipality including the Upgrading of the Substation of the municipality. The Sub-station was upgraded from 11KVA to 22KVA.

The actual Upgrade was done in order to address the huge backlog of electricity provision within the area, whereby it was discovered that even light wind or light rain fall would cause electrical failures in the entire area of the municipality.

The project was implemented successfully with a Total Expenditure of **R 11 227 471-40**.

There were prepaid meters installed in all the households in Wolwefontein area.

Klipplaat was identified as one of the areas with an increased crime rate. In response to this, the municipality installed 17 High Must lights. Those lights were installed in order to ensure the security of the community.

Also the challenge of street lights, which were not in good working condition, was also partly addressed. It was identified that the municipality actually needs more assistance in terms of ensuring that qualified Artisan or Technicians are being retained in the area.

### 3.1.7 Housing

In 2013/2014 financial year, there was no housing development which took place in the entire area of Ikwezi local municipality, taking into consideration that the Department of Human Settlement, was actually the developer for all new housing development in the entire area of Sarah Baartman.

The status of being the Developer from the side of the municipality was transferred to the Department. Only the municipality was supposed to identify beneficiaries and allocate the available pieces of suitable land which can be utilized for the development of housing.

But projects such as Venter's 36 units were identified for rectification programmes as well as the 34 units of Dube location. But due to technicalities and challenges that the Department was faced with, those projects were not implemented. This was a matter of concern for the beneficiaries of those units, as some of the initiatives such as site clarification meetings and site handover meetings were already held.

One of the biggest concerns was the actual implementation of the Waterford 66 units, where 55 beneficiaries were already approved from the Department. But the actual implementation of the project never took place. It is assumed that the implementation of such projects will take place during the 2014/15 financial year.

The program of Waterford is a housing development which planned to be a combined type of housing development in terms concept and modification, whereby German Investors were planning to make use of solar panels as roof sheets which would generate the electricity for those households. The process of water recycling was also going to be explored.

The concept was developed as follows:

#### **CONCEPT MODEL HOUSING & ENERGY FOR DEVELOPING COUNTRIES Pilot project 100 social solar houses in Waterford-Ikwezi / South Africa**

##### **Basic situation**

The Ikwezi Local Municipality has a huge need to provide housing for the people in the community who are financially weak. In most cases these needs are satisfied by types of houses that are quite similar worldwide and only provide little comfort and living quality to the in dwellers. Regarding South Africa the typical social houses show a floor plan with three rooms and a total of 40 m<sup>2</sup> living space. These houses are promoted by a grant of R40.000 Rand per house by the South African government.

In addition to the demand of houses, all communities lack the resources to guarantee basic energy needs of the households and community buildings, and to provide electricity needed for economic growth through business cycles. In this context the feed-in-tariffs of the REFIT II programme presented by NERSA in October 2009 provides a realistic



approach for smaller communities to improve their situation of energy supply especially by grid-connected photovoltaic power plants with a minimum capacity of 1 MW.

### **Concept and strategy / “The village is the power plant!“**

The situation described above provides the framework for the innovative concept of Peoples Home: The realization of solar settlements with a minimum of 100 houses preferably in countries with an existing feed-in-tariff. The single houses are equipped with a special photovoltaic roof of about 100 m<sup>2</sup> and an installed capacity of around 10 kWp each so the entire settlement is up to 1 MW as required in South Africa by REFIT II.

These residential areas are able to produce 10 times the amount of the energy needed by the concerning households and can provide a surplus of energy to the general public – in the case of Waterford/Ikwezi that means about 1.500.000 kWh per year. Through the incomes generated by the feed-in-tariff fixed in South Africa the electricity provided gives a reasonable return on investment thus the refinancing of the project is ensured without any rent for the houses to be needed.

In our proposal for the design of social houses for South Africa we raised the living space required by the governmental specifications of 40 m<sup>2</sup> by 10 m<sup>2</sup> to 50 m<sup>2</sup>. Thus the requirements of a maximum of 10 people per house including reasonably furnished are considered. The redesigned roof can be used as terrace and storage capacity and is significantly improving the grade of living comfort. On demand the buildings can be extended both horizontally and vertically. This is giving the opportunity for small scale business to the inhabitants and thus is creating purchasing power for the municipality.

In the case of the Waterford project we felt it was unreasonable to integrate an optional bathroom as required by the specifications of the government. The Communal Waterhouse – a cross-border cooperation and pilot project of South Africa and Germany – will be a distinguished part of the future centre of the hamlet and can provide all the needed functions of a bathroom. Hence we only integrated a flushing toilet in the floor plan that is working as a closed system and can provide biomass for additional use. This technology was accepted by the authorities of the Ikwezi Local Municipality. Additionally every house is equipped with a drinking water tap connected with the projected drinking water treatment of the Communal Waterhouse.

In order to ensure an uninterrupted power supply even in case of grid blackouts which happen quite often in South Africa, every house optionally can be equipped with a low-budget solution (ca. EURO 1.000) of an inverter/power-tracking/battery system which can bridge a power failure up to one day.

All the construction materials used will be eco-friendly, the final fixing of the relevant construction technologies and building materials will be done after the project survey concerning the local resources and the final matching of the design with the local people and the concerning authorities.

The preliminary design for a new centre of the hamlet apart from the fore-mentioned Communal Waterhouse includes shops, a school and a community house as well as a potential health station. The power supply for these communal facilities will be provided by a small containerized hybrid power station based on Renewable Energies (Power & Life Container) including wind and solar power and in addition a bio-fuel generator as a back-up system. Combined with electric storage and an intelligent controlling system this utility can ensure an uninterrupted power supply even in the case of power failure up to one week.

In order to bring most parts of the value chain to local and regional stakeholders German Know-how including necessary tools and production goods will be transferred and finally owned by the municipality and/or the concerning cooperatives and companies as part of the project. Accordingly local people will be trained for installation and maintenance of solar systems as well as for eco-friendly water and waste management.

In the case of a project, a minimum of 1 000 houses has to be reached (a number of municipalities of e.g. the Province of Eastern Cape signs contracts up to this amount) the additional erecting of a production unit for the pre-fabrication of wall and/or ceiling elements with a capacity of 1 000 houses per year can be included in the project financing. This would be accompanied by qualification measures for the production technology as well as for administrative and management services.

The **project volume** including infrastructure and qualification measures for 100 social solar houses is up to **EURO 3,65 Mio**

(incl. water- & energy and community houses, **without** school and health station - these communal buildings depend specific demands).

### **Scheduled provision of capital**

- ☐ 50 % national investors (e.g. national Independent Power Producer IPP)
- ☐ 25 – 35 % investment Peoples Home / international Co-Investor (plus liquidity start-up phase)
- ☐ 15 – 25 % grants Government / Development Banks

For reasons of economic sustainability the project scheme of Peoples Home is basically designed for Public Private Partnerships (PPP). The projecting and operating companies short to mid-term are intended to be directed by a local and /or national management (e.g. for Sub-Sahara Africa: **Broad Based Black Economic Empowered Companies**).

### **Shareholders and dispatching of tasks in the Public Private Partnership:**

- ☐ Government and municipalities: feed-in-tariff for the refinancing of the project costs, subsidies for the buildings, access to the surplus of energy, ownership of the houses
- ☐ Capital providers like banks, national and international investors: attendant micro credit programmes, Independent Power Producer IPP, tourism expansion
- ☐ Cooperatives and locals: administration and maintenance of the facilities
- ☐ Peoples Home: project management, financial engineering, controlling and monitoring

### **The basic goals of the project**

- ☐ Improvement of the living conditions of the people in the objective area under special consideration of the Millennium Development Goals (MDG)
- ☐ Boost of the local and national business cycles (keyword South Africa: BBBEE) with the involvement of local resources (manpower, raw materials, building materials, energetic resources etc.)
- ☐ Local implementation of self-administrated cooperative models (IPP for the power supply, property management)
- ☐ Kick-off for new legal framework (e.g. feed-in-tariffs, solar roof programmes, promotion of tourism)
- ☐ Long-term cooperation with national, regional and local universities and institutes.

### **3.1.8 Refuse Removal**

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The service of refuse removal was being done twice a week in the area of Jansenville. But due to a lack of resources as well as the transportation, the routine work programme was actually developed in order to ensure that all the areas within the jurisdictions of Ikwezi are being serviced with the available resources.

The teams of personnel in areas of Klipplaat, Jansenville, Wolwefontein and Waterford were actually established, in order to ensure the effective process of rendering the service to all the customers of the municipality. However it must be taken into account that the municipality only has one 5ton refuse Truck.

Once the refuse has been collected from all the households, it gets dumped at the municipal landfill site, but the major challenge that the municipality is faced with in terms of the landfill sites, is that both existing landfill sites of the municipality are not licensed.

This has been raised as an Audit Query of the last 2-3 years by the team of Auditors. However, the municipality of Ikwezi took initiative in terms of ensuring that the process of actually registering those landfill sites has started.

A service provider was appointed towards the end of 2012, in order to start with the process of ensuring that the landfill sites are actually register

## **CHAPTER 4: LOCAL ECONOMIC DEVELOPMENT**

### **INTRODUCTION TO ECONOMIC DEVELOPMENT**

The post 1994 government has placed a strong emphasis on community and grassroots initiatives and participation. Importantly, local government is now viewed as a sphere of government, and has been allocated a range of roles and responsibilities with respect to economic and social development. This environment is more supportive of the general concept of Local Economic Development (LED) although, this has not always translated into the expected results.

Until very recently, the most focus of most LED initiatives was community economic development projects, the majority of which proved unsustainable once donor or public sector funding disappeared, and so had no real long-term impact on poverty reduction.

A review of the first term of local government (for the period 2000-2006) was recently undertaken by the DPLG. The review was to a large extent based on the lessons learnt from the implementation of Project Consolidate in selected municipalities, which was a response to low levels of service delivery. This review resulted in a Five –Year Strategic Agenda for the 2<sup>nd</sup> term of Local Government (for the period 2006-2011).

As a key performance area, LED as an outcome, is strongly interrelated and dependent on the other four KPAs. These are: Municipal Transformation and Organisational Development, Basic Service Delivery, Municipal Financial Viability and Management, and Good Governance and Public Participation. The framework promotes a strategic approach to the development of local economies and a shift away from narrow municipal interests focused only on government inputs into ad hoc projects.

South Africa is the leading producer of Mohair in the world. Ikwezi municipality and the Karoo produce 54% of the world's mohair. It is clear that the potential exists to strengthen the South African agricultural sector, as well as the mohair industry, as government increasingly recognizes the critical importance of SA's commercial agriculture sector and as commercial farmers increasingly enter into



partnerships with government to support the entry and sustainability of emerging producers.

#### **4.1 BRIEF PRESENTATION OF THE LED STRATEGY/PLAN**

In order to stimulate economic growth and create new jobs, Ikwezi Municipality focuses on:

##### **Agricultural Sector**

The agricultural sector in Ikwezi has shown employment growth in the recent past and could provide opportunities for development. The sector is presently dominated commercial farms (Municipal Demarcation Board maps show the boundaries of these). These farms specialize in angora goats (mohair), sheep and game. There is some activity around urban agriculture (e.g. vegetable tunnels, pigs and poultry).

##### **Business Support Initiatives**

- Promoting BEEs, SMMEs and co-operatives
- Establishing community based projects
- Promoting social investment
- Facilitate access to finance and markets

##### **Tourism sector**

The area has an average tourism potential. More work needs to be done to promote Ikwezi as a tourism destination. The Mohair Meander passes through Ikwezi on the R75 from Uitenhage to Graaff-Reinet. One possibility for Ikwezi to benefit from increasing tourism incomes is the construction of a western gate to Addo Elephant National Park at Waterford, thereby providing a possible tourism corridor between Addo and Baviaans.

The municipality is supported by SBDM to implement its tourism initiatives.

## **Developing Skills Base**

The skills base in Ikwezi is limited and the levels of education and training are generally low. Development, skills transfer partnerships between established and emerging farmers and businesses are critical. Facilitating training opportunities linked to employment in the area.

## **Revitalisation of Small Towns**

- Urban regeneration projects focusing on upgrading of Jansenville and Klipplaat
- Promote tourism and manufacturing based on competitive advantages.
- Ensuring that key stakeholders are identified and partnerships created.
- To ensure that municipal infrastructure is maintained and upgraded in order to attract investors.

## **Building local and regional networks**

- Strengthening inter-governmental relations with other municipalities in the cluster, private sector as well as provincial and national government involved in LED.
- Building partnerships with private sector to improve economic competitiveness.
- Agriculture is the most prominent economic sector in Ikwezi.

## **4.2 PROGRESS TOWARDS ACHIEVING THE LED KEY OBJECTIVES**

### **Mentorship Programme**

Although emerging farmers often have basic agricultural skills or have received some training, most are lacking the capacity needed to manage a farm as a viable business, resulting in the deterioration of the assets. The agricultural mentorship goes beyond mere training and extends over a longer period.

The Cacadu District Municipality has established and launched the Agricultural Mentorship Programme for selected LMs in the district including Ikwezi. This programme is supported by GIZ. The objective of the Agricultural Mentorship Strategy is to set up and implement a system of a structured long term skills transfer from successful commercial farmers to emerging farmers in order to

enable them to convert their farms into sustainable businesses. For this purpose, an experienced commercial farmer is contracted as a mentor in order to develop not only the product related skills but also to address management, financial and marketing skills of the beneficiaries of a selected project. The mentor is then working with the beneficiaries on the farms, over a period of approximately three years depending on the complexity of the commodity produced and the original skills levels of the beneficiaries. The following businesses benefitted from the Agricultural Mentorship Programme:

- Abafazi Poultry project
- Uitkomst ( angora goats)
- Klipplaat Hydroponics

All mentorship fees were incurred by CDM. This programme is a key driver towards implementation of the LED Strategy and the IDP.

### **Integrated Anti-Poverty Strategy (IAPS)**

The Provincial Integrated Anti – Poverty Strategy was approved by Cabinet and launched by the Premier in 2012/2013 financial year. To this end a Food Security Nutrition Advisory Committee was established in an effort to ensure that food security and nutrition becomes a vehicle for turning around the high tide of unemployment and hunger that is ravaging our society.

The Department of Social Development and Special Programmes has identified Wards 3 & 4 in Klipplaat as implementation sites for the Anti-Poverty Strategy.

The IAPS roll out was done in wards 3 and 4 in Klipplaat, Ikwezi Municipality and ward 3 (Rietbron, Baviaans Municipality). Furthermore the Department of Social Development and Special Programmes in collaboration with the Department of Education, Department of Rural Development and Agrarian Reform and Department of Health also form part of the Integrated Anti – Poverty

Strategy Programme. The programme was launched in Ikwezi Municipality in August 2012.

### **Community Works Programme (CWP)**

The Programme has created 1000 work opportunities in the area.

### **Creation of market and public confidence**

In order to achieve its LED objectives, the municipality is implementing the strategic recommendations made in its LED Strategy. The aim is to create the desired state described in Ikwezi Vision Statement and Mission Statement.

### **Exploit Comparative and Competitive advantages for Industrial Activities**

Ikwezi Municipality has no industries but few small business enterprises. The number of SMMEs has increased significantly during the year under review. The municipality has reviewed its Special Development Framework (SDF). Our area compares favourably with the neighbouring municipalities in terms of economic activities, and development including tourism.

The Wool and Mohair initiatives have received financial injections and other support from Mohair South Africa, SAMIL, Department of Rural Development and Land Reform, Department of Rural Development and Agrarian Reform, Mohair Empowerment Trust, CDM, ECDC and DEDEA.

### **Ikwezi SMME Strategy**

Acknowledging the importance of SMMEs, and responding to the challenges and opportunities spelt out in the Integrated Development Plan, the District – Wide Economic Growth and Development Strategy (EGDS), the Provincial Growth and Development Plan, Ikwezi Municipality with assistance of Khanya Aiccd developed an Ikwezi SMME Strategy.

### **Objectives of the strategy**

- To build capacity within the Ikwezi structures
- To develop an innovative methodology for identifying opportunities based on local strengths.
- To facilitate access to finance, markets and sustainable business development support services for the informal, micro, small and medium enterprises.
- To establish effective and functional partnerships with private sector, key provincial and national institutions.
- To increase the number of start-ups, and the number of existing enterprises that accelerate beyond survivalist stage.

## **Intensify Enterprise Support and Business Development**

The municipality has prioritised the development of the Small, Medium and Micro Enterprises (SMMEs) because entrepreneurship is considered as the engine of economic development. The SMME sector has the potential to address socio-economic challenges facing the municipal area. Without business development, it is argued that economies stagnate, unemployment levels continue to rise and the general standard of living deteriorates.

There is a significant number of SMMEs that have been established, especially in Jansenville and Klipplaat. The role of the Municipality with the assistance of the National Youth Development Agency (NYDA), SANACO, CDM, the dti and DEDEA is to assist the prospective businesses to have access to information and provide training and networking opportunities/ sessions. The Local Tourism Organisation also assists with economic development initiatives in the entire area.

## **Support Social Investment Programme**

The role of the municipality is to assist all the prospective business people with different information and access to resources. The establishment of co-operatives as well as the continuous development of skills of the members of the cooperative is vital for their sustainability and relevance. Self-employment is being encouraged locally because there are no factories that can employ many people like in the big cities where there are huge factories employing thousands of people. The local people have started to venture seriously on self-employment to improve their socio-economic situation. The municipality has developed an Investment and Incentive Policy.

### **4.3 PROJECTS FUNDED IN THE 2015/2016 FOR SMMEs AND CO-OPERATIVES**

<b>PROJECT NAME</b>	<b>FUNDER</b>	<b>AMOUNT APPROVED</b>	<b>TYPE OF ENTERPRISE</b>	<b>TYPE OF FUNDING</b>	<b>NUMBER OF BENEFICIARIES</b>
<b>Antec Furniture</b>	SBDM	R60 000	Co-operative	Grant	5
<b>Fresh and Delicious</b>	SBDM NYDA	R60 000 R49 091.25	Co-operative	Grant Grant	5
<b>Fighting Poverty</b>	SBDM	R60 000	Co-operative	Grant	5

<b>Kesitah Copy and Print</b>	SBDM	R60 000	Pty	Grant	1
<b>Ikwezi Crafty Creations</b>	SBDM	R30 000	Pty	Grant	1
<b>Mthura Shoe Repair</b>	SBDM	R10 000	Sole Proprietor	Grant	1
<b>Ikwezi Master Productions</b>	SBDM	R320 000	Pty	Grant	5
<b>Nombande Mag &amp; Tyre Services</b>	SBDM	R100 000	Pty	Grant	1

#### 4.4 CHALLENGES REGARDING LED STRATEGY IMPLEMENTATION

- Procurement procedures do not permit informal businesses to access municipal contracts.
- Lack of funding
- Poor planning
- Lack of bankable business plans
- Lack of resource mobilisation strategies
- Provincial sector department's budgets are not talking to municipal priorities in the IDP.
- Sector departments are not using the IDP as a tool to facilitate greater integration of development initiatives across the three spheres of government.

## CHAPTER 6: FINANCIAL VIABILITY AND MANAGEMENT

### ACCOUNTING AND REPORTING

The municipality has all the necessary financial policies which were approved by council. The policies are reviewed annually. Annual financial statements were audited and a Disclaimer opinion was expressed by Auditor General. The municipality has prepared an Audit action plan to address findings of the Auditor general. (Annexure attached)

Audited Financial Statement attached: Annexure attached.

The Mid Term Revenue and Expenditure Framework was prepared and approved by council.

Financial performance of the municipality is on the attached audited financial statements.

## **5.1 SUPPLY CHAIN MANAGEMENT**

### **BID COMMITTEES**

The following Bid Committee structures are functional:

- Specifications Committee
- Bid Evaluation Committee
- Bid Adjudication Committee

It is also important to note the BAC challenges in relation to composition as currently the Municipality cannot fully comply with composition requirements due to organisational structure of the Municipality. Further the training deficiency for the structure due to financial problems of the Municipality must be noted.

### **Procurement above R30K Vat Inclusive**

The SCM regulations, including PPPFA plus Ikwezi SCM Policy prescribe the process that should be followed in case of such procurement including procurement above R200K vat inclusive. All the prescribed requirements are currently met or properly deviated from with the approval of the MM and later condoned / noted by the Council.

### **Approved Deviations by MM or in Acting Capacity**

For the period in terms of SCM Reg 36(1) (a) are to the sum of **R 19127.21**  
[April =R0 + May = R0 + June = R19127.21]

Note that there are no breaches ratified and contracts entered into in terms of SCM Reg 36(1) (b)

There is no procurement effected or contracts entered into in terms of SCM Reg 32

### **Approved Deviations by MM / Acting MM**

The deviations for the period in question are as per SCM regulation 36 (1) (a) and amounts to **R692 525.42** inclusive of all costs.

July	: R 37 223.54
August	: R 48 897.00
September	: R606 404.88

## **5.2 CREDITORS**

The municipality has an outstanding creditors account of R 32 994 845.03

### 5.3 REVENUE

The municipality has a total of **R23 486 6025.05** outstanding debtors as per SAMRAS.

- Residents : R 19 881 906.04
- Businesses and farms : R 14 305 64.91
- National Public Works : R 313 415.79
- Health : R 124177.00
- Social services : R 4146.47
- Unallocated : R 102 41 40,04

Ageing debtors' analysis is on page of the attached audited financial statements.  
The current collection rate is 44%.



## 5.4 ANNUAL FINANCIAL STATEMENTS



IKWEZI LOCAL MUNICIPALITY  
ANNUAL FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2015  
Published 31 October 2015

## GENERAL INFORMATION

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### Legal form of entity

The entity functions as a local municipality, established under Paragraph 151 of the Constitution of the Republic of South Africa, 1996, as amended.

### Nature of business and principal activities

Ikwezi Local Municipality is a South African Category B Municipality (Local Municipality) as defined by the Municipal Structures Act. (Act no 117 of 1998) The municipality's operations are governed by:- Municipal Finance Management act 56 of 2003- Municipal Structure Act 117 of 1998- Municipal Systems Act 32 of 2000 and various other acts and regulations

### *Mayoral committee*

Executive Mayor  
Councillors

SA Mngwevu  
K Hendricks  
M Bonaparte  
L Ntame  
A Mboneni  
J Lewis  
BW Seekoei

### Grading of local authority

Grade 2

### Business address

34 Main Street  
Jansenville  
6265

### Postal address

P O Box 12  
Jansenville  
6265

### Bankers

ABSA Bank  
Jansenville

### Auditors

Auditor General South Africa

### Principal Activities

The principal activities of the municipality are:

- Provide democratic and accountable government
- Ensure sustainable service delivery to the communities
- Promote social and economic development
- Provide basic services to the community

## INDEX

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The reports and statements set out below comprise the annual financial statements presented to the provincial legislature:

<i><b>Index</b></i>	<i><b>Page</b></i>
Accounting Officers' Responsibilities and Approval	3
Statement of Financial Position	4
Statement of Financial Performance	5
Statement of Changes in Net Assets	6
Cash Flow Statement	7
Statement of Comparison of Budget and Actual Amounts	8 - 10
Accounting Policies	11 - 26
Notes to the Annual Financial Statements	27 - 52
Appropriation Statement (Reconciliation: Budget and In-year Performance)	53 - 54

## ***Abbreviations***

COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
GRAP	Generally Recognised Accounting Practice
HDF	Housing Development Fund
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)

## ACCOUNTING OFFICERS' RESPONSIBILITIES AND APPROVAL

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The accounting officers are required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and are responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officers to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and were given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with South African Statements of Generally Accepted Accounting Practice (GRAP) And the Municipal Finance Management Act (MFMA) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officers acknowledge that they are ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officers to meet these responsibilities, the accounting officers sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officers are of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The accounting officers have reviewed the municipality's cash flow forecast for the year to 30 June 2016 and, in the light of this review and the current financial position, they are satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

Although the accounting officers is primarily responsible for the financial affairs of the municipality, they is supported by the municipality's external auditors.

The external auditors are responsible for independently reviewing and reporting on the municipality's annual financial statements. The annual financial statements have been examined by the municipality's external auditors and their report is presented.

The annual financial statements set out on pages 4 to 54, which have been prepared on the going concern basis, were approved by the accounting officers on 31 October 2015 and were signed by their:

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**Mr Mapukata**  
Acting Municipal Manager

## STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2015

Figures in Rand	Note(s)	2015	Restated 2014
<b>Assets</b>			
<b>Current Assets</b>			
Inventories	2	11 847	11 847
Receivables from non-exchange transactions	3	511 867	667 220
Trade receivables	4	2 711 702	3 658 899
Cash and cash equivalents	5	21 520	11 209
		<b>3 256 936</b>	<b>4 349 175</b>
<b>Non-Current Assets</b>			
Investment property	6	43 637 900	43 637 900
Property, plant and equipment	7	102 126 749	95 211 228
Intangible assets	8	12 960	82 898
Heritage assets	9	-	-
		<b>145 777 609</b>	<b>138 932 026</b>
<b>Total Assets</b>		<b>149 034 545</b>	<b>143 281 201</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Other financial liabilities	10	4 100 000	1 500 000
Finance lease obligation	11	118 869	245 802
Payables from exchange transactions	12	34 421 277	19 893 555
VAT payable	13	619 311	1 194 561
Unspent conditional grants and receipts	14	4 046 131	2 568 266
Provisions	15	733 911	899 058
Bank overdraft	5	-	320 374
		<b>44 039 499</b>	<b>26 621 616</b>
<b>Non-Current Liabilities</b>			
Other financial liabilities	10	205 241	3 805 241
Finance lease obligation	11	-	118 869
Retirement benefit obligation	44	3 996 172	3 337 000
Provisions	15	4 511 730	4 511 730
		<b>8 713 143</b>	<b>11 772 840</b>
<b>Total Liabilities</b>		<b>52 752 642</b>	<b>38 394 456</b>
<b>Net Assets</b>		<b>96 281 903</b>	<b>104 886 745</b>
Accumulated surplus		96 281 903	104 886 745

## STATEMENT OF FINANCIAL PERFORMANCE

Figures in Rand	Note(s)	2015	Restated 2014
<b>Revenue</b>			
Property rates	16	1 722 591	1 593 890
Service charges	17	10 155 210	10 629 386
Government grants & subsidies	18	34 022 442	37 044 692
Interest received - internal	19	1 316 022	722 520
Interest received - external	19	43 767	61 173
Licences and permits	19	109 451	126 357
Rental of facilities and equipment	19	86 240	20 269
Other income	19	2 169 266	1 044 665
Property rates - penalties imposed	19	327 859	231 287
<b>Total revenue</b>		<b>49 952 848</b>	<b>51 474 239</b>
<b>Expenditure</b>			
Personnel	20	(21 477 365)	(17 842 909)
Remuneration of councillors	21	(1 725 964)	(1 593 348)
Debt impairment	22	(6 152 625)	(8 183 394)
Depreciation and amortisation	23	(4 260 482)	(3 868 228)
Finance costs	24	(27 613)	(616 473)
Repairs and maintenance	25	(555 164)	(1 932 029)
Bulk purchases	26	(5 932 966)	(5 879 737)
General Expenses	27	(18 425 513)	(14 218 402)
Loss on disposal of assets	7	-	(1)
<b>Total expenditure</b>		<b>(58 557 692)</b>	<b>(54 134 521)</b>
<b>Deficit for the year</b>		<b>(8 604 844)</b>	<b>(2 660 282)</b>

## STATEMENT OF CHANGES IN NET ASSETS

Figures in Rand		Accumulated surplus	Total net assets
Opening balance as previously reported at 01 July 2013		109 469 660	109 469 660
Adjustments			
Correction of errors	28	(1 922 632)	(1 922 632)
<b>Balance at 01 July 2013 as restated</b>		<b>107 547 028</b>	<b>107 547 028</b>
Changes in net assets			
Deficit for the year		(2 660 283)	(2 660 283)
Total changes		(2 660 283)	(2 660 283)
<b>Balance at 01 July 2014</b>		<b>104 886 747</b>	<b>104 886 747</b>
Changes in net assets			
Deficit for the year		(8 604 844)	(8 604 844)
Total changes		(8 604 844)	(8 604 844)
<b>Balance at 30 June 2015</b>		<b>96 281 903</b>	<b>96 281 903</b>
Note(s)			

## CASH FLOW STATEMENT

Figures in Rand	Note(s)	2015	Restated 2014
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Rates and services		7 155 585	5 373 496
Government grants & subsidies		34 022 442	37 044 692
Interest income		1 359 789	783 693
Other receipts		2 364 957	1 191 291
		<u>44 902 773</u>	<u>44 393 172</u>
<b>Payments</b>			
Employee costs		(23 024 395)	(19 336 894)
Suppliers		(9 140 600)	(22 323 442)
Finance costs		(27 613)	(616 473)
		<u>(32 192 608)</u>	<u>(42 276 809)</u>
<b>Net cash flows from operating activities</b>	29	<b><u>12 710 165</u></b>	<b><u>2 116 363</u></b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	7	(11 106 065)	(6 650 549)
Proceeds from sale of property, plant and equipment	7	-	(1)
Purchase of intangible assets	8	-	(2 300)
Proceeds from sale of other intangible assets	8	-	1
<b>Net cash flows from investing activities</b>		<b><u>(11 106 065)</u></b>	<b><u>(6 652 849)</u></b>
<b>Cash flows from financing activities</b>			
Movement in Repayment - National Revenue fund		(1 000 000)	5 305 241
Finance lease payments		(273 415)	(221 890)
<b>Net cash flows from financing activities</b>		<b><u>(1 273 415)</u></b>	<b><u>5 083 351</u></b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>330 685</b>	<b>546 865</b>
Cash and cash equivalents at the beginning of the year		(309 165)	(856 030)
<b>Cash and cash equivalents at the end of the year</b>	5	<b><u>21 520</u></b>	<b><u>(309 165)</u></b>



# Ikwezi Local Municipality

Annual Financial Statements for the year ended 30 June 2015

## STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
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Figures in Rand

### Statement of Financial Performance

#### Revenue

Service charges	14 269 052	886 000	<b>15 155 052</b>	10 155 210	<b>(4 999 842)</b>	A
Rental of facilities and equipment	69 080	-	<b>69 080</b>	86 240	<b>17 160</b>	C
Interest - internal	639 956	-	<b>639 956</b>	1 316 022	<b>676 066</b>	B
Licences and permits	679 188	-	<b>679 188</b>	109 451	<b>(569 737)</b>	
Other income	1 717 285	1 657 369	<b>3 374 654</b>	2 169 266	<b>(1 205 388)</b>	D
Interest received - external	45 616	-	<b>45 616</b>	43 767	<b>(1 849)</b>	
<b>Total revenue</b>	<b>17 420 177</b>	<b>2 543 369</b>	<b>19 963 546</b>	<b>13 879 956</b>	<b>(6 083 590)</b>	

#### Revenue from non-exchange transactions

Property rates	1 873 546	56 006	<b>1 929 552</b>	1 722 591	<b>(206 961)</b>	
Property rates - penalties imposed	-	-	-	327 859	<b>327 859</b>	
Government grants & subsidies	31 809 000	12 869 815	<b>44 678 815</b>	34 022 442	<b>(10 656 373)</b>	E
<b>Total revenue from non-exchange transactions</b>	<b>33 682 546</b>	<b>12 925 821</b>	<b>46 608 367</b>	<b>36 072 892</b>	<b>(10 535 475)</b>	
<b>Total revenue</b>	<b>51 102 723</b>	<b>15 469 190</b>	<b>66 571 913</b>	<b>49 952 848</b>	<b>(16 619 065)</b>	

#### Expenditure

Personnel	(21 082 291)	(262 195)	<b>(21 344 486)</b>	(21 477 365)	<b>(132 879)</b>	F
Remuneration of councillors	(2 030 720)	-	<b>(2 030 720)</b>	(1 725 964)	<b>304 756</b>	
Depreciation and amortisation	(1 217 716)	-	<b>(1 217 716)</b>	(4 260 482)	<b>(3 042 766)</b>	G
Finance costs	(93 720)	-	<b>(93 720)</b>	(27 613)	<b>66 107</b>	H
Debt impairment	(645 217)	-	<b>(645 217)</b>	(6 152 625)	<b>(5 507 408)</b>	I
Repairs and maintenance	(1 118 222)	651 570	<b>(466 652)</b>	(555 164)	<b>(88 512)</b>	J
Bulk purchases	(6 409 268)	776 427	<b>(5 632 841)</b>	(5 932 966)	<b>(300 125)</b>	
General Expenses	(11 157 081)	(5 253 811)	<b>(16 410 892)</b>	(18 425 513)	<b>(2 014 621)</b>	K
<b>Total expenditure</b>	<b>(43 754 235)</b>	<b>(4 088 009)</b>	<b>(47 842 244)</b>	<b>(58 557 692)</b>	<b>(10 715 448)</b>	
<b>Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement</b>	<b>7 348 488</b>	<b>11 381 181</b>	<b>18 729 669</b>	<b>(8 604 844)</b>	<b>(27 334 513)</b>	

# Ikwezi Local Municipality

Annual Financial Statements for the year ended 30 June 2015

## STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
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Figures in Rand

### Statement of Financial

#### Position Assets

##### Current Assets

Inventories	-	-	-	11 847	11 847	
Receivables from non-exchange transactions	-	-	-	511 867	511 867	
Consumer debtors	-	-	-	2 711 702	2 711 702	
Cash and cash equivalents	-	-	-	21 520	21 520	
	-	-	-	<b>3 256 936</b>	<b>3 256 936</b>	

##### Non-Current Assets

Investment property	-	-	-	43 637 900	43 637 900	
Property, plant and equipment	-	-	-	102 126 749	102 126 749	
Intangible assets	-	-	-	12 960	12 960	
	-	-	-	<b>145 777 609</b>	<b>145 777 609</b>	

##### Total Assets

	-	-	-	<b>149 034 545</b>	<b>149 034 545</b>	
--	---	---	---	--------------------	--------------------	--

##### Liabilities

##### Current Liabilities

Other financial liabilities	-	-	-	4 100 000	4 100 000	
Finance lease obligation	-	-	-	118 869	118 869	
Payables from exchange transactions	-	-	-	34 421 280	34 421 280	
VAT payable	-	-	-	619 311	619 311	
Unspent conditional grants and receipts	-	-	-	4 046 131	4 046 131	
Provisions	-	-	-	733 911	733 911	
	-	-	-	<b>44 039 502</b>	<b>44 039 502</b>	

##### Non-Current Liabilities

Other financial liabilities	-	-	-	205 241	205 241	
Retirement benefit obligation	-	-	-	3 996 172	3 996 172	
Provisions	-	-	-	4 511 730	4 511 730	
	-	-	-	<b>8 713 143</b>	<b>8 713 143</b>	

##### Total Liabilities

	-	-	-	<b>52 752 645</b>	<b>52 752 645</b>	
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##### Net Assets

	-	-	-	<b>96 281 900</b>	<b>96 281 900</b>	
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##### Net Assets

##### Net Assets Attributable to Owners of Controlling Entity

##### Reserves

Accumulated surplus	-	-	-	96 281 900	96 281 900	
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## **Ikwezi Local Municipality**

Annual Financial Statements for the year ended 30 June 2015

### **STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS**

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
--	--------------------	-------------	--------------	--	---	-----------

Figures in Rand

Variances of less than 10 % are deemed to be immaterial

**A.**

Pre-paid electricity sales did not materialise during the current year.

**B.**

Increased interest on non-payment of consumer accounts

**C.**

Increase relates to old truck rental income of TLB and Tipper Truck.

**D.**

Reduced government grant expenditure resulting in a reduction of VAT income recognised..

**E.**

Reduced government grant due to National Treasury clawback of funds. Also, the DWAF grant budgeted was not received and recognised. The basis of the grant is to spend then claim. Due to cash flow problems the municipality was unable to spend and could not claim.

**F.**

Acting allowances paid due to the MM and CFO being suspended.

**G.**

This was not budgeted as would have budgeted a deficit if had budgeted.

**H.**

Lease agreements paid up during the financial year.

**I.**

This was not budgeted as would have budgeted a deficit if had budgeted.

**J.**

Increased cost due to high cost of maintaining and repairing aging plant and equipment.

**K.**

Current year there was no budgeting for contributions to performance bonuses, post employee benefits, annual bonuses, actuarial losses and leave accrual.

## **ACCOUNTING POLICIES**

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### ***1. Presentation of Annual Financial Statements***

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act No 56 of 2003).

These annual financial statements have been prepared on an accrual basis of accounting and incorporate the historical cost conventions as the basis of measurement, except where specified otherwise.

The principal accounting policies, applied in the preparation of these annual financial statements, are set out below.

#### ***1.1 Presentation of currency***

These annual financial statements are presented in South African Rand, which is the functional currency of the entity, rounded to R1.

#### ***1.2 Going concern***

These annual financial statements were prepared based on the expectation that the entity will continue to operate as a going concern for at least the next 12 months.

#### ***1.3 Budget information***

The approved budget covers the fiscal period from 2014/07/01 to 2015/06/30. The budget was prepared on the accrual basis.

Budget information in accordance with GRAP 1 and 24, has been provided in the Statement of comparison of budget and actual amounts.

#### ***1.4 Comparative figures***

When the presentation or classification of items in the financial statements is amended, prior period comparative amounts are also reclassified and restated, unless such comparative reclassification and / or restatement is not required by a Standard of GRAP. The nature and reason for such reclassifications and restatements are also disclosed.

Where material accounting errors, which relate to prior periods, have been identified in the current year, the correction is made retrospectively as far as is practicable and the prior year comparatives are restated accordingly.

Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

The presentation and classification of items in the current year is consistent with prior years, except as otherwise indicated.

The nature and reasons for the reclassifications and restatements are disclosed in note 28 to the financial statements.

#### ***1.5 Offsetting***

Assets, liabilities, revenue and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP

#### ***1.6 Significant judgements and sources of estimation uncertainty***

The use of judgement, estimates and assumptions is inherent to the process of preparing annual financial statements. These judgements, estimates and assumptions affect the amounts presented in the annual financial statements. Uncertainties about these estimates and assumptions could result in outcomes that require material adjustment to the carrying amount of the relevant asset or liability in future periods.

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Annual Financial Statements for the year ended 30 June 2015

### **ACCOUNTING POLICIES**

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#### ***Estimates***

Estimates are informed by historical experience, information currently available to management, assumptions, and other factors that are believed to be reasonable under the circumstances. These estimates are reviewed on a regular basis. Changes in estimates are processed in the period of the review and applied prospectively.

In the process of applying the entity's accounting policies, the following estimates were made:

## **ACCOUNTING POLICIES**

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### ***1.6 Significant judgements and sources of estimation***

#### ***uncertainty (continued) Inventory***

The estimation of the water stock in the reservoirs is based on the measurement of water via electronic level sensors, which determines the depth of water in the reservoirs, which is then converted into volumes based on the total capacity of the reservoir.

#### ***Impairments of non-financial assets***

In determining the value-in-use of non-financial assets, management is required to rely on the use of estimates about the asset's ability to continue to generate cash flows (in the case of cash-generating assets). For non-cash-generating assets, estimates are made regarding the depreciated replacement cost, restoration cost, or service units of the asset, depending on the nature of the impairment and the availability of information.

#### ***Provisions***

Provisions are measured as the present value of the estimated future outflows required to settle the obligation. In the process of determining the best estimate of the amounts that will be required in future to settle the provision management considers the weighted average probability of the potential outcomes of the provisions raised. This measurement entails determining what the different potential outcomes are for a provision as well as the financial impact of each of those potential outcomes. Management then assigns a weighting factor to each of these outcomes based on the probability that the outcome will materialise in future. The factor is then applied to each of the potential outcomes and the factored outcomes are then added together to arrive at the weighted average value of the provisions. Additional disclosure of these estimates of provisions are included in note 15 - Provisions.

#### ***Pension and other post-employment benefits***

The present value of the post retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate, future salary increase, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

#### ***Effective interest rate***

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

When calculating the effective interest rate, the municipality estimates the cash flows considering all contractual terms of the financial instrument but not future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the municipality uses the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

#### ***Allowance for doubtful debts***

The measurement of receivables is derived after consideration of the allowance for doubtful debts. Management makes certain

## **Ikwezi Local Municipality**

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### **ACCOUNTING POLICIES**

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assumptions regarding the categorisation of debtors into groups with similar risk profiles so that the effect of any impairment on a group of receivables would not differ materially from the impairment that would have been determined had each debtor been assessed for impairment on an individual basis. The determination of this allowance is predisposed to the utilisation of estimates, assumptions and management judgements. In determining this allowance the estimates are made about the probability of recovery of the debtors based on their past payment history and risk profile.

## **ACCOUNTING POLICIES**

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### ***1.6 Significant judgements and sources of estimation***

#### ***uncertainty (continued) Provision for rehabilitation***

##### ***of refuse landfill sites***

The entity has an obligation to rehabilitate its landfill sites in terms of its license stipulations. Provision is made for this obligation based on the size / extent of the land to be rehabilitated, the rehabilitation cost per square meter, the monitoring cost per square meter, and the rehabilitation period. Current costs are projected using the average rate of inflation over the remaining period until rehabilitation, and then discounted to their present value using an appropriate discounting rate, representing the time value of money.

### ***Depreciation and amortisation***

Depreciation and amortisation recognised on property, plant and equipment and intangible assets are determined with reference to the useful lives and residual values of the underlying items. The useful lives and residual values of assets are based on management's estimation of the asset's current condition, expected condition at the end of the period of use, its current use, expected future use and the entity's expectations about the availability of finance to replace the asset at the end of its useful life. In evaluating the useful life and residual value management considers the impact of technology and minimum service requirements of the assets.

### ***1.7 Investment property***

#### **Initial recognition and measurement**

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for use in the production or supply of goods or services, to meet service delivery objectives, for administrative purposes or sale in the ordinary course of operations.

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition.

The cost of self-constructed investment property is the cost at date of completion.

The cost of day to day servicing of investment property is recognised in the Statement of Financial Performance as incurred.

### ***Subsequent***

#### ***measurement Cost***

##### ***model***

Subsequent to initial recognition investment property is carried at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation recognised on investment property is determined with reference to the useful lives and residual values of the



## **Ikwezi Local Municipality**

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### **ACCOUNTING POLICIES**

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underlying items. Depreciation is provided to write down the cost, less estimated residual value by equal instalments over the useful life of the property, which is as follows:

<b><i>Item</i></b>	<b><i>Useful life</i></b>
Property - land	indefinite
Property - buildings	30 years

Land is not depreciated as it is considered to have an indefinite useful life.

### ***Impairments***

The entity tests for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an Investment Property is greater than the estimated recoverable amount, it is written down immediately to its recoverable amount and an impairment loss is charged to the Statement of Financial Performance .

## **ACCOUNTING POLICIES**

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### ***1.7 Investment property (continued)***

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of the impairment is recognised in the Statement of Financial Performance.

### ***Derecognition***

Investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

Gains or losses arising from the retirement or disposal of investment property is the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in the Statement of Financial Performance in the period of retirement or disposal.

### ***1.8 Property, plant and***

### ***equipment Initial***

### ***recognition***

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others (other than investment property), or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when it is probable that future economic benefits or service potential associated with the item will flow to the municipality and the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the cost of dismantling and removing the asset and restoring the site on which it is operated.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

Major spare parts and servicing equipment which are expected to be used for more than one period are included in property, plant and equipment. In addition, spare parts and servicing equipment which can only be used in connection with an item of property, plant and equipment are accounted for as property, plant and equipment.

### ***Subsequent measurement***

Subsequent to initial recognition, property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses except for land, which is not depreciated as it is deemed to have an indefinite useful life.

The decommissioning costs associated with landfill sites are depreciated over its remaining useful life in accordance with

## **Ikwezi Local Municipality**

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### **ACCOUNTING POLICIES**

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estimate of useful lives as detailed below.

#### ***Subsequent expenditure***

Where the entity replaces part of an asset, it derecognises the part of the asset being replaced and capitalises the new component.

#### ***Depreciation***

# **Ikwezi Local Municipality**

Annual Financial Statements for the year ended 30 June 2015

## **ACCOUNTING POLICIES**

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### **1.8 Property, plant and equipment (continued)**

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value. Components that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The depreciable amount is determined after taking into account an asset's residual value.

The annual depreciation rates are based on the following estimated useful lives:

<i><b>Item</b></i>	<i><b>Average useful life</b></i>
Land and buildings	
• Land	Indefinite
• Buildings	30 years
Infrastructure	
• Roads and paving	10 - 50 years
• Water	20 - 50 years
• Electricity	5 - 30 years
• Sanitation	40 - 55 years
• Cemeteries	30 years
Other	
• Office equipment	7 - 10 years
• Furniture and fittings	5 - 15 years
• Computer equipment	5 - 10 years
• Infrastructure equipment	7 - 40 years
• Motor vehicles	7 - 10 years
• Plant and equipment	7 - 15 years
• Other equipment	5 - 15 years
Landfill sites	16 - 22 years

### ***Impairments***

The entity tests for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

Where items of property, plant and equipment have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the Statement of Financial Performance in the period that the impairment is identified.

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of the impairment is recognised in the Statement of Financial Performance.

### ***Derecognition***

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

## **ACCOUNTING POLICIES**

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### ***1.9 Intangible assets***

An intangible asset is an identifiable non-monetary asset without physical substance. The entity recognises an intangible asset in its Statement of Financial Position when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and the cost or fair value of the asset can be measured reliably.

Intangible assets are initially recognised at cost.

For an intangible asset acquired through a non-exchange transaction, the cost shall be its fair value as at the date of acquisition.

The cost of an intangible asset is amortised over the useful life where that useful life is finite. The amortisation expense on intangible assets with finite lives is recognised in the Statement of Financial Performance in the expense category consistent with the function of the intangible asset.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life assumption continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

### ***Amortisation and impairment***

The depreciable amounts of intangible assets with a finite useful life are allocated over their useful lives using the straight line method.

The annual amortisation rates are based on the following estimated average asset lives:

Computer software, other	3 years
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### ***Impairments***

The entity tests intangible assets with finite useful lives for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is performed at each reporting date. Where the carrying amount of an item of an intangible asset is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

### ***Derecognition***

Intangible assets are derecognised on disposal or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss is the difference between the net disposal proceeds, if any, and the carrying amount. It is recognised in surplus or deficit when the asset is derecognised.

## **ACCOUNTING POLICIES**

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### ***1.10 Financial instruments***

#### **Policies relating to specific financial instruments**

##### **Cash and cash equivalents**

Cash and cash equivalents are measured at amortised cost.

Cash includes cash on hand and cash with banks. Cash equivalents are short-term highly liquid investments that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value.

For the purposes of the Cash Flow Statement, cash and cash equivalents comprise cash on hand and deposits held on call with banks.

### ***Trade and other receivables***

Trade and other receivables are initially recognised at fair value plus transaction costs that are directly attributable to the acquisition and subsequently stated at amortised cost less provision for impairment. All trade and other receivables are assessed at least annually for possible impairment. Impairments of trade and other receivables are determined in accordance with the accounting policy for impairments. Impairment adjustments are made through the use of an allowance account.

Bad debts are written off in the year in which they are identified as irrecoverable. Amounts receivable within 12 months from the reporting date are classified as current. Interest is charged on overdue accounts.

### ***Trade and other payables***

Trade payables are initially measured at fair value plus transaction costs that are directly attributable to the acquisition and are subsequently measured at amortised cost.

### ***1.11 Leases***

#### **Finance leases - lessee**

##### **Initial recognition**

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the entity through the lease agreement. Assets subject to finance leases are recognised in the Statement of Financial Position at the inception of the lease, as is the corresponding finance lease liability.

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

### ***Subsequent measurement***

Subsequent to initial recognition the finance lease liability is carried at amortised cost, with the lease payments being set off against the capital and accrued interest. The allocation of the lease payments between the capital and interest portion of the liability is effected through the application of the effective interest method.

The finance charges resulting from the finance lease are expensed, through the Statement of Financial Performance, as they accrue. The finance cost accrual is determined using the effective interest method.

Finance lease liabilities are derecognised when the entity's obligation to settle the liability is extinguished. The assets capitalised under the finance lease are derecognised when the entity no longer expects any economic benefits or service

## **Ikwezi Local Municipality**

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### **ACCOUNTING POLICIES**

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potential to flow from the asset.

## **ACCOUNTING POLICIES**

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### ***1.11 Leases***

***(continued)***

#### ***Operating leases***

##### ***- lessor***

For those leases classified as operating leases the asset subject to the lease is not derecognised and no lease receivable is recognised at the inception of the lease.

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term. The difference between the straight-lined lease payments and the contractual lease payments are recognised as either an operating lease asset or operating lease liability. An operating lease liability is raised to the extent that lease payments are received in advance (i.e. the straight-line lease payments are more than the contractual lease payments). The operating lease asset and / or operating lease liability are measured as the undiscounted difference between the straight-line lease receipts and the contractual lease receipts.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

Income from leases is disclosed under revenue in the statement of financial performance.

#### ***Operating leases - lessee***

Assets subject to operating leases, i.e. those leases where substantially all of the risks and rewards of ownership are not transferred to the lessee through the lease, are not recognised in the Statement of Financial Position.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

### ***1.12 Inventories***

Initial recognition and measurement

Inventories are initially measured at cost. Cost refers to the purchase price, plus taxes, transport costs and any other costs in bringing the inventories to their required location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Water inventory is being measured on the weighted average basis by multiplying the cost per kilo litre of purified water by the amount of water in storage.

Where inventory is acquired for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

#### ***Subsequent measurement***

Inventories are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost.

Water inventory is measured annually at the reporting date by way of dip readings and the calculated volume in the distribution network.

Redundant and slow-moving inventories are identified and written down from cost to net realisable value.



## **Ikwezi Local Municipality**

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### **ACCOUNTING POLICIES**

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#### ***Derecognition***

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

#### ***1.13 Impairment of cash-generating assets***

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return.

## **ACCOUNTING POLICIES**

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### ***1.13 Impairment of cash-generating assets (continued)***

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

#### ***Identification***

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the asset.

#### ***Recognition and measurement***

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the municipality determines the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit).

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cash-generating unit are affected by internal transfer pricing, the municipality use management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating:

The carrying amount of a cash-generating unit is determined on a basis consistent with the way the recoverable amount of the cash-generating unit is determined.

An impairment loss is recognised for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on individual assets.

In allocating an impairment loss, the entity does not reduce the carrying amount of an asset below the highest of:

- its fair value less costs to sell (if determinable);
- its value in use (if determinable); and
- zero.

The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other cash-generating assets of the unit.

Where a non-cash-generating asset contributes to a cash-generating unit, a proportion of the carrying amount of that non-cash-generating asset is allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit.

## **ACCOUNTING POLICIES**

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### ***1.13 Impairment of cash-generating***

#### ***assets (continued) Reversal of***

#### ***impairment loss***

The municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, the entity estimates the recoverable amount of that asset.

An impairment loss recognised in prior periods for a cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

A reversal of an impairment loss for a cash-generating unit is allocated to the cash-generating assets of the unit pro rata with the carrying amounts of those assets. These increases in carrying amounts are treated as reversals of impairment losses for individual assets. No part of the amount of such a reversal is allocated to a non-cash-generating asset contributing service potential to a cash-generating unit.

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:

- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

The amount of the reversal of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit.

### ***1.14 Impairment of non-cash-generating assets***

Non-cash-generating assets are assets other than cash-generating assets.

The municipality assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

**ACCOUNTING POLICIES**

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***1.14 Impairment of non-cash-generating assets (continued)***

The municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, the municipality estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

***1.15 Employee benefits*****Short-term employee benefits**

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short term employee benefits are recognised in the Statement of Financial Performance as services are rendered, except for non-accumulating benefits, which are recognised when the specific event occurs. These short term employee benefits are measured at their undiscounted costs in the period the employee renders the related service or the specific event occurs.

***Post-employment benefits***

The entity provides post employment benefits for its officials. These benefits are provided as either defined contribution plans or defined benefit plans. The entity identifies as defined contribution plans any post-employment plan in terms of which it has no obligation to make further contributions to the plan over and above the monthly contributions payable on behalf of employees (for example in the event of a funding shortfall). Any other plans are considered to be defined benefit plans.

***Defined contribution plans***

Contributions made towards the fund are recognised as an expense in the Statement of Financial Performance in the period that such contributions become payable. This contribution expense is measured at the undiscounted amount of the contribution paid or payable to the fund. A liability is recognised to the extent that any of the contributions have not yet been paid. Conversely an asset is recognised to the extent that any contributions have been paid in advance.

## **ACCOUNTING POLICIES**

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### ***1.15 Employee benefits***

#### ***(continued) Post***

#### ***retirement medical***

#### ***obligations***

The municipality provides post-retirement medical benefits by subsidising the medical contributions of certain retired staff members according to the rules of the medical aid funds. Council pays 70% of the contributions and the remaining 30% is paid by the members.

The entitlement to post-retirement medical benefits is based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment. Independent qualified actuaries carry out valuations of these obligations, in accordance with GRAP 25 - "Employee Benefits". The plan is unfunded.

The contributions are recognised in the statement of financial performance when the employees have rendered the service entitling them to the contribution. The liability was calculated by means of the projected unit credit actuarial valuation method. The liability is recognised at the present value of the defined benefit obligation at the reporting date, minus the fair value of the plan assets (if any) out of which the obligations are to be settled directly, plus any liability that may arise as a result of minimum funding requirements. Payments made by the municipality are set-off against the liability, including notional interest, resulting from the valuation by the actuaries, and are recognised in the Statement of Financial Performance upon valuation.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions are recognised in the Statement of Financial Performance in the period that it occurs. These obligations are valued annually by independent qualified actuaries.

### ***1.16 Provisions and contingencies***

Provisions are recognised when:

- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditure for which the provision was originally recognised.

Provisions are not recognised for future operating deficits.

## **Ikwezi Local Municipality**

Annual Financial Statements for the year ended 30 June 2015

### **ACCOUNTING POLICIES**

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Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 38.

#### ***1.17 Revenue from exchange transactions***

Revenue from exchange transactions refers to revenue that accrues to the entity directly in return for services rendered or goods sold, the value of which approximates the consideration received or receivable, excluding indirect taxes, rebates and discounts.

#### ***Recognition***

## **ACCOUNTING POLICIES**

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### **1.17 Revenue from exchange transactions (continued)**

Revenue from exchange transactions is only recognised once all of the following criteria have been satisfied:

- a) The entity retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- b) The amount of revenue can be measured reliably; and
- c) It is probable that the economic benefits or service potential associated with the transaction will flow to the entity and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Revenue arising out of situations where the entity acts as an agent on behalf of another entity (the principal) is limited to the amount of any fee or commission payable to the entity as compensation for executing the agreed services.

### ***Specific exchange revenue sources***

Service charges relating to electricity and water are based on consumption. Provisional estimates of consumption are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period.

Electricity meters in industrial areas are read at the end of each month and billed the following month. Premises with high-tension electricity supplies are read and billed monthly.

Revenue arising from the consumption of electricity and water in the month of June is fully accounted for whether invoiced or not.

Revenue from the sale of electricity prepaid meter cards is recognised at the point of sale. At reporting date, an estimate of the prepaid electricity consumed is made and revenue is adjusted accordingly. The estimate is based on trend analysis and historical data of electricity consumption.

Service charges from sewerage and sanitation are based on the number of sewerage connections on each developed property using the tariffs approved from Council and are levied monthly.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff. Tariffs are determined per category of property usage and are levied on a monthly basis.

Rental income arising on facilities and equipment is accounted for on a straight-line basis over the lease terms on ongoing leases.

### ***Measurement***

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and rebates.

### ***1.18 Revenue from non-exchange transactions***

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, a municipality either receives value from another municipality without directly giving approximately equal value in exchange, or gives value to another municipality without directly receiving approximately equal value in exchange.

## **ACCOUNTING POLICIES**

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### ***1.18 Revenue from non-exchange***

#### ***transactions (continued) Recognition***

Revenue from non-exchange transactions is only recognised once all of the following criteria have been satisfied:

- a) The amount of revenue can be measured reliably; and
- b) It is probable that the economic benefits or service potential associated with the transaction will flow to the entity and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

In accordance with IGRAP1 the full amount of the revenue is recognised at the initial transaction date.

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Council applies a flat rating system. The same rate factor is applied for land and buildings. In terms of this system, assessment rates are levied on the value of land and buildings in respect of properties. Rebates are granted according to the use of the property concerned. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportion basis.

Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Fines are recognised when it is probable that future economic benefits will flow to the entity, the costs can be reliably measured and all restrictions have been complied with. Fines constitute both spot fines and summonses. Revenue from spot fines is recognised when payment is received and the revenue from the issuing of summonses is recognised when collected. Due to the various legal processes that can apply to summonses and the inadequate information available from the courts, it is not possible to measure this revenue in the invoicing period.

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred meet the criteria for recognition as an asset and there is not a corresponding liability in respect of related conditions.

### ***Measurement***

An asset that is recognised as a result of a non-exchange transaction is recognised at its fair value at the date of the transfer. Consequently, revenue arising from a non-exchange transaction is measured at the fair value of the asset received, less the amount of any liabilities that are also recognised due to conditions that must still be satisfied.

Where there are conditions attached to a grant, transfer or donation that gave rise to a liability at initial recognition, that liability is transferred to revenue as and when the conditions attached to the grant are met.

Grants without any conditions attached are recognised as revenue in full when the asset is recognised, at an amount equalling the fair value of the asset received.

Interest earned on the investment is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor.

### ***1.19 Borrowing costs***

Borrowing costs are recognised as an expense in the period in which they are incurred.

### ***1.20 Unauthorised expenditure***

Unauthorised expenditure means expenditure incurred by a municipality otherwise than in accordance with section 15 or 11 (3) of the MFMA, and includes:

- overspending of the total amount appropriated in the municipality's approved budget;
- overspending of the total amount appropriated for a vote in the approved budget;
- expenditure from a vote unrelated to the department or functional area covered by the vote;
- expenditure of money appropriated for a specific purpose, otherwise than for that specific purpose;



## **Ikwezi Local Municipality**

Annual Financial Statements for the year ended 30 June 2015

### **ACCOUNTING POLICIES**

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- spending of an allocation otherwise than in accordance with any conditions of the allocation; or
- a grant by the municipality otherwise than in accordance with the MFMA.

## **ACCOUNTING POLICIES**

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### ***1.20 Unauthorised expenditure (continued)***

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

### ***1.21 Fruitless and wasteful expenditure***

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

### ***1.22 Irregular expenditure***

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000) or the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

### ***1.23 Related parties***

In accordance with GRAP 20, parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions or if the related party entity and other entity are subject to common control.

Transactions between related parties other than transactions that would occur within a normal supplier or client/recipient relationship on terms and conditions no more or less favourable than those which it is reasonable to expect the entity would have adopted if dealing with that individual or entity at arm's length in the same circumstances are disclosed within the annual financial statements.

Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed.

### ***1.24 Heritage assets***

Heritage assets, which are culturally significant resources and which are shown at cost, are not depreciated due to the uncertainty regarding their estimated useful lives.

## ***Transitional provision***

The municipality has taken advantage of the three year exemption on the measurement of Heritage Assets allowed by National Treasury. No heritage assets have been recognised. No reporting period adjustments have been recognised. The municipality will fully comply with GRAP

The exemption from applying the measurement requirements of the Standard of GRAP on Heritage assets implies that any associated presentation and disclosure requirements need not be complied with for heritage assets not measured in accordance with the requirements of the Standard of GRAP on Heritage assets.

### ***1.25 Taxes - Value added tax***

Revenue, expenses and assets are recognised net of the amounts of value added tax. The net amount of value added tax recoverable from, or payable to the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

## **Ikwezi Local Municipality**

Annual Financial Statements for the year ended 30 June 2015

### **ACCOUNTING POLICIES**

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#### ***1.26 Capital commitments***

Capital commitments disclosed in the financial statements represents the contractual balance committed to the capital projects on reporting date that will be incurred in the period subsequent to the specific reporting date.

## **ACCOUNTING POLICIES**

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### ***1.27 Post-reporting date events***

Events after the reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that is indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

The entity will adjust the amounts recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

The entity will disclose the nature of the event and an estimate its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

### ***1.28. New standards and interpretations***

#### **1.28.1 Standards and Interpretations early adopted**

The municipality has chosen to early adopt the following standards and interpretations:

#### ***1.28.2 Standards and interpretations issued, but not yet effective***

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2015 or later periods:

- |  |                   |
|--|-------------------|
| • GRAP 32: Service concession arrangements: Grantor  | No effective date |
| • IGRAP 17: Service Concession Arrangements Where a Grantor Controls a Significant Residual Interest in an Asset | No effective date |
| • GRAP 108 - Statutory Receivables   | No effective date |

### ***Possible impact of initial application of standards of GRAP approved but not yet effective***

GRAP 18: Segment Reporting - It is expected that this will only result in additional disclosures without affecting the underlying accounting.

GRAP 105: Transfers of functions between entities under common control - No significant impact is expected as no such transactions or events are expected in the foreseeable future.

GRAP 106: Transfers of functions between entities not under common control - No significant impact is expected as no such transactions or events are expected in the foreseeable future.

GRAP 107: Mergers - No significant impact is expected as no such transactions or events are expected in the foreseeable future.

GRAP 20: Related parties - No significant impact is expected as the information is to a large extent already included in the financial statements

GRAP 32: Service concession arrangements: Grantor - No significant impact expected as no such transactions or events are expected in the foreseeable future.

IGRAP 17: Service Concession Arrangements Where a Grantor Controls a Significant Residual Interest in an Asset - No significant impact is expected as no such transactions or events are expected in the foreseeable future.

GRAP 108: Statutory receivables - No significant impact is expected as the information is to a large extent already included in the financial statements

Figures in Rand

2015

Restated  
2014**2. Inventories**

Water	11 847	11 847
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No consumables were on hand at year end.

**3. Receivables from non-exchange transactions**

Sundry debtors	107 761	-
Other taxes	40 509	40 415
Recoverable amounts - Department	-	333 828
Sundry debtor	268 473	220 929
Receivables variances	74 740	72 048
Payments	20 384	-
	<b>511 867</b>	<b>667 220</b>

**4. Trade receivables****Gross balances**

Rates	2 559 455	3 891 626
Electricity	3 239 483	6 111 401
Water	4 083 895	5 305 259
Sewerage	4 317 214	5 762 976
Refuse	3 932 198	5 201 429
Payments received in advance	(675 958)	(495 623)
Other	300 883	369 634
VAT provision	2 726 498	-
	<b>20 483 668</b>	<b>26 642 325</b>

**Less: Allowance for impairment**

Debtors with credit balances	675 958	495 623
Less: Provision for debt impairment	(18 447 924)	(22 983 426)
	<b>(17 771 966)</b>	<b>(22 487 803)</b>

**Net balance**

<b>2 711 702</b>	<b>3 658 899</b>
------------------	------------------

**Included in above is receivables from exchange transactions**

Electricity	3 239 483	6 111 401
Water	4 083 895	5 305 259
Sewerage	4 317 214	5 762 976
Refuse	3 932 198	5 201 429
Regional services levies	2 726 498	-
Housing rental	(675 958)	(495 623)
	<b>17 623 330</b>	<b>21 885 442</b>

**Included in above is receivables from non-exchange transactions (taxes and transfers)**

Rates	2 559 455	3 891 626
Other	300 883	369 634
	<b>2 860 338</b>	<b>4 261 260</b>

Figures in Rand

2015

Restated  
2014**4. Trade receivables (continued)**

	-	(22 983 426)
<b>Net balance</b>	<b>20 483 668</b>	<b>3 163 276</b>
<b>Rates</b>		
Current (0 -30 days)	2 502	5 606
31 - 60 days	2 266	3 474
61 - 90 days	1 277	1 859
91 - 120 days	-	1 088
121 - 365 days	2 547 889	3 879 599
<b>Undefined Difference</b>	<b>5 521</b>	<b>-</b>
	<b>2 559 455</b>	<b>3 891 626</b>
<b>Electricity</b>		
Current (0 -30 days)	2 095 742	307 187
31 - 60 days	94 045	283 875
61 - 90 days	96 424	306 498
91 - 120 days	121 549	250 384
121 - 365 days	3 215 076	4 963 457
<b>Undefined Difference</b>	<b>(2 383 353)</b>	<b>-</b>
	<b>3 239 483</b>	<b>6 111 401</b>
<b>Water</b>		
Current (0 -30 days)	155 956	66 795
31 - 60 days	227 239	64 300
61 - 90 days	2 158	65 457
91 - 120 days	1 567	65 360
121 - 365 days	4 116 122	5 043 347
<b>Undefined Difference</b>	<b>(419 147)</b>	<b>-</b>
	<b>4 083 895</b>	<b>5 305 259</b>
<b>Sewerage</b>		
Current (0 -30 days)	65 278	73 804
31 - 60 days	64 420	73 430
61 - 90 days	61 885	75 295
91 - 120 days	62 151	75 455
121 - 365 days	4 513 383	5 464 992
<b>Undefined Difference</b>	<b>(449 903)</b>	<b>-</b>
	<b>4 317 214</b>	<b>5 762 976</b>
<b>Refuse</b>		
Current (0 -30 days)	65 489	68 304
31 - 60 days	64 076	66 199
61 - 90 days	59 916	67 504
91 - 120 days	59 467	68 102
121 - 365 days	4 090 881	4 931 320
<b>Undefined Difference</b>	<b>(407 631)</b>	<b>-</b>
	<b>3 932 198</b>	<b>5 201 429</b>
<b>VAT</b>		
Provision	2 726 498	-

Figures in Rand

2015

Restated  
2014**4. Trade receivables (continued)****Housing rental**

Current (0 -30 days)

(675 958)

(495 623)

**Other (specify)**

Current (0 -30 days)

(3)

-

61 - 90 days

-

300

121 - 365 days

300 260

369 334

**Undefined Difference****626**

-

**300 883****369 634****Summary of debtors by customer classification****Consumers**

Current (0 -30 days)

(234 934)

215 915

31 - 60 days

370 864

400 339

61 - 90 days

198 410

404 149

91 - 120 days

195 220

403 787

121 - 365 days

18 043 668

22 098 029

**18 573 228****23 522 219****Industrial/ commercial**

Current (0 -30 days)

(9 895)

(27 850)

31 - 60 days

20 874

25 561

61 - 90 days

3 953

20 652

91 - 120 days

4 762

15 506

121 - 365 days

539 409

541 585

**559 103****575 454****National and provincial government**

Current (0 -30 days)

1 952 135

(161 692)

31 - 60 days

60 308

65 378

61 - 90 days

19 297

91 811

91 - 120 days

44 753

41 098

121 - 365 days

200 535

2 012 436

**2 277 028****2 049 031****Total**

Current (0 -30 days)

1 707 305

26 372

31 - 60 days

452 046

491 278

61 - 90 days

221 661

516 613

91 - 120 days

244 735

460 390

121 - 365 days

18 783 612

24 652 049

21 409 359

26 146 702

675 958

495 623

(18 447 924)

(22 983 426)

**(925 691)**

-

**2 711 702****3 658 899**

Less: Allowance for impairment

**Undefined Difference**

Figures in Rand

2015

Restated  
2014**4. Trade receivables (continued)****Reconciliation of allowance for impairment**

Balance at beginning of the year	(22 983 426)	(14 794 004)
Contributions to allowance	(6 152 625)	(8 189 422)
Debt impairment written off against allowance	10 688 127	-
	<b>(18 447 924)</b>	<b>(22 983 426)</b>

**5. Cash and cash equivalents**

Cash and cash equivalents consist of:

Cash on hand	-	290
Bank balances	10 760	-
Short-term deposits	10 760	10 919
Bank overdraft	-	(320 374)
	<b>21 520</b>	<b>(309 165)</b>

Current assets	21 520	11 209
Current liabilities	-	(320 374)
	<b>21 520</b>	<b>(309 165)</b>

The municipality had the following bank accounts

<b>Account number / description balances</b>	<b>Cash book balances</b>			<b>Bank statement</b>		
	<b>30 June 2015</b>	<b>30 June 2014</b>	<b>30 June 2013</b>	<b>30 June 2015</b>	<b>30 June 2014</b>	<b>30 June 2013</b>
ABSA Bank - Cheque Account - 4053099797	14 760	1 101 008	(289 459)	10 760	(320 374)	(897 117)
ABSA Bank - Salary Cheque Account - 2520141122	-	118	69	-	-	-
ABSA Bank - Money Market Account - 9137635959	-	-	25 199	-	-	25 199
ABSA Bank - Call Deposit - 9118667163	751	915	3 045	751	915	3 045
ABSA Bank - Call Deposit - 9101589574	1 007	1 002	3 841	1 007	1 002	3 841
Standard bank - Trust Fund Account - 3/288885537/001	9 002	9 002	9 002	9 002	9 002	9 002
<b>Total</b>	<b>25 520</b>	<b>1 112 045</b>	<b>(248 303)</b>	<b>21 520</b>	<b>(309 455)</b>	<b>(856 030)</b>

**6. Investment property**

2015			2014	
Cost / Valuation	Accumulated depreciation and accumulated	Impairment	Carrying value	Cost / Valuation
				Accumulated depreciation and accumulated



	impairment	Carrying value					
Investment property		43 637 900	-	43 637 900	43 637 900	-	43 637 900

Figures in Rand

2015

Restated  
2014**6. Investment property (continued)****Reconciliation of investment property - 2015**

	Opening balance	Total
Land	28 850 000	28 850 000
Buildings	14 787 900	14 787 900
	<b>43 637 900</b>	<b>43 637 900</b>

**Reconciliation of investment property - 2014**

	Opening balance	Total
Land	28 850 000	28 850 000
Buildings	14 787 900	14 787 900
	<b>43 637 900</b>	<b>43 637 900</b>

Fair value of investment properties

43 637 900 43 637 900

No restrictions have been placed on the investment property and no investment property has been pledged as security.

The fair values for investment property were obtained from the latest available valuation rolls.

**7. Property, plant and equipment**

	2015			2014		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land and buildings	2 099 600	-	2 099 600	2 099 600	-	2 099 600
Infrastructure	126 512 124	(48 692 632)	77 819 492	123 066 510	(44 961 362)	78 105 148
Landfill sites	3 454 406	(1 082 250)	2 372 156	3 454 406	(1 082 250)	2 372 156
Other assets	4 866 452	(2 255 756)	2 610 696	4 439 937	(1 796 482)	2 643 455
Work in progress	17 224 805	-	17 224 805	9 990 869	-	9 990 869
<b>Total</b>	<b>154 157 387</b>	<b>(52 030 638)</b>	<b>102 126 749</b>	<b>143 051 322</b>	<b>(47 840 094)</b>	<b>95 211 228</b>

**Reconciliation of property, plant and equipment - 2015**

	Opening balance	Additions	Transfers	Depreciation	Total
Land and buildings	2 099 600	-	-	-	2 099 600
Infrastructure	78 105 148	-	3 445 614	(3 731 270)	77 819 492
Landfill sites	2 372 156	-	-	-	2 372 156
Other assets	2 643 455	426 515	-	(459 274)	2 610 696
Work in progress	9 990 869	10 679 550	(3 445 614)	-	17 224 805
	<b>95 211 228</b>			<b>11 106 065</b>	<b>(4 190 544)</b>
		<b>102 126 749</b>			

Figures in Rand

2015

Restated  
2014**7. Property, plant and equipment****(continued) Reconciliation of  
property, plant and equipment -  
2014**

	Opening balance	Additions	Transfers	Depreciation	Total
Land and buildings	2 099 600	-	-	-	2 099 600
Infrastructure	72 524 986	-	8 764 096	(3 183 934)	78 105 148
Landfill sites	2 506 532	49 346	-	(183 722)	2 372 156
Other assets	2 502 102	568 668	-	(427 315)	2 643 455
Work in progress	12 722 430	6 032 535	(8 764 096)	-	9 990 869
	<b>92 355 650</b>	<b>6 650 549</b>	<b>-</b>	<b>(3 794 971)</b>	<b>95 211 228</b>

The gross carrying value of fully depreciated property, plant and equipment still in use amounts to R2 489 047.

Net carrying amount of assets subject to finance lease:

Motor vehicles R339 000.

**Contractual commitments for the acquisition of property,  
plant and equipment Property, plant and equipment  
temporarily idle (Carrying amount)**

Infrastructure	-	3 100 000
Other assets	-	571 113
	<b>-</b>	<b>3 671 113</b>

The acquisition of property, plant and equipment will be financed through grant income.

**8. Intangible assets**

	2015			2014		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	495 090	(482 130)	12 960	495 090	(412 192)	82 898

**Reconciliation of intangible assets - 2015**

	Opening balance	Amortisation	Total
Computer software	82 898	(69 938)	12 960

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***Reconciliation of intangible assets - 2014***

	Opening balance	Additions	Disposals	Amortisation	Total
Computer software	153 854	2 300	(1)	(73 255)	82 898

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***9. Heritage assets***

Figures in Rand

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Restated  
2014

## 9. *Heritage assets (continued)*

The municipality owns the following heritage assets:

The Klipplaat monument, in honour of service men killed during the First World War.

The Great War Memorial monument, situated in Jansenville, in honour of service men killed during the First World War.

## *Transitional provision*

The municipality has taken advantage of the three year exemption on the measurement of Heritage Assets allowed by the Accounting Standards Board.

## 10. **Repayment - National Revenue Fund**

### **Designated at fair value**

Public Works - EPWP	437 315	437 315
Integrated National Electrification Grant	2 948 808	2 948 808
Municipal Infrastructure Grant	543 480	1 543 480
Municipal Systems Infrastructure Grant	375 638	375 638
	<b>4 305 241</b>	<b>5 305 241</b>

The Municipality failed to spend their entire DORA allocation in the 2012/2013 financial year and as a result National and Provincial Treasury are requiring that the municipality repay the unspent amount of R5,305,241.

The amount is repayable in instalments of R1,000,000 to be deducted from the tranches of the equitable share grant.

## *Non-current liabilities*

At amortised cost	205 241	3 805 241
-------------------	---------	-----------

## *Current liabilities*

At amortised cost	4 100 000	1 500 000
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Figures in Rand

2015

Restated  
2014**11. Finance lease obligation****Minimum lease payments due**

- within one year	143 077	273 015
- in second to fifth year inclusive	-	143 078

	143 077	416 093
less: future finance charges	(24 208)	(51 422)

**Present value of minimum lease payments**

<b>118 869</b>	<b>364 671</b>
----------------	----------------

**Present value of minimum lease payments due**

- within one year	118 869	245 802
- in second to fifth year inclusive	-	118 869

<b>118 869</b>	<b>364 671</b>
----------------	----------------

Non-current liabilities	-	118 869
Current liabilities	118 869	245 802

<b>118 869</b>	<b>364 671</b>
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The average lease term was 5 years and the effective borrowing rate ranges between prime and prime plus 1.667%.

The leases have no contingent rental amounts, no escalation clauses, no purchase options and no restrictions on the lease arrangements.

**12. Payables from exchange transactions**

Trade payables	2 067 421	8 051 474
Other payables	10 394 801	18 923
Salaries control	1 214 460	-
Auditor General	5 848 837	4 368 068
Eskom - Departmental use and Free Basic Services	60 405	255 928
Eskom bulk purchases	10 188 170	4 325 899
Unknown deposits	1 214 315	709 203
Income received in advance	130 667	79 876
Leave accrual	2 626 243	1 588 561
Debtors with credit balances	675 958	495 623
	<b>34 421 277</b>	<b>19 893 555</b>

**13. VAT payable**

VAT payable	619 311	1 194 561
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Figures in Rand

2015

Restated  
2014**14. Unspent conditional grants and receipts****Unspent conditional grants and receipts comprises of:****Unspent conditional grants and receipts**

Municipal Infrastructure Grant	4 159 498	-
Public Works - EPWP	(214 887)	277 815
Finance Management Grant	50 214	-
	<u>3 994 825</u>	<u>277 815</u>

**Other conditional grants**

Dan Sandi Sewerage Grant	70 000	70 000
Industrial Development Corporation	500 000	500 000
LED Special Grants Funding	1 924 539	1 645 893
Spatial Development Framework Grant	74 558	74 558
ACIP Sanitation	93 779	-
ACIP Water Meters	(2 611 570)	-
	<u>51 306</u>	<u>2 290 451</u>
	<b><u>4 046 131</u></b>	<b><u>2 568 266</u></b>

**Movement during the year**

Balance at the beginning of the year	2 568 266	7 525 692
Additions during the year	18 394 068	13 515 000
Income recognition during the year	(16 916 203)	(13 167 185)
Transferred to Repayment - National Revenue Fund	-	(5 305 241)
	<b><u>4 046 131</u></b>	<b><u>2 568 266</u></b>

See note 18 for reconciliation of grants from National/Provincial Government.

Figures in Rand

2015

Restated  
2014**15. Provisions****Reconciliation of provisions - 2015**

Note	Opening Balance	Additions	Utilised during the year	Total
Rehabilitation of landfill	4 511 730	-	-	4 511 730
Provision for performance bonuses	363 876	405 919	(363 876)	405 919
Provision for annual bonuses	535 182	327 992	(535 182)	327 992
	<b>5 410 788</b>	<b>733 911</b>	<b>(899 058)</b>	<b>5 245 641</b>

***Reconciliation of provisions - 2014***

	Opening Balance	Additions	Utilised during the year	Total
Rehabilitation of landfill	4 228 206	283 524	-	4 511 730
Provision for performance bonuses	175 740	363 876	(175 740)	363 876
Provision for annual bonuses	445 390	535 182	(445 390)	535 182
	<b>4 849 336</b>	<b>1 182 582</b>	<b>(621 130)</b>	<b>5 410 788</b>

Non-current liabilities	4 511 730	4 511 730
Current liabilities	733 911	899 058
	<b>5 245 641</b>	<b>5 410 788</b>

**Performance Bonuses**

Performance bonuses are paid out to senior management and are calculated at up to 14% of the annual salary package.

***Bonuses***

Bonuses are paid out to all employees (except for senior management) during November each year and are based on a 13th monthly basic salary.

***Rehabilitation of landfill***

The obligation for the environmental rehabilitation results from the onus imposed by the Environmental Conservation Act No.73 of 1989 to rehabilitate landfill sites after use. The sites are expected to be closed in 2030, after which rehabilitation will take place over the course of the next 9 to 10 years after which the site is expected to be fully rehabilitated. The landfill sites valuation was performed by Bosch Munitech. The following assumptions were used when calculating the provisions for Landfill Site rehabilitation:

- The sizes of the Jansenville and Steytleville landfill sites are estimated to be 0.1 Ha each.
- The remaining useful lives of the landfill sites are estimated to be 10.39 years (Jansenville) and 16.36 years (Steytleville), respectively.
- The CPIX (6.7%, 2013: 5.5%) was used to adjust the cost as it is the only determining factor year on year.
- Where there are no calculated site classifications, an estimate has been assumed for the classification based on local information of waste volumes and leachate. The valuation above assumes a worst case scenario, and assumes the Department of Water Affairs will strictly apply regulations.
- The cost values used are estimates only, based on previous works and escalated to current values.
- All historical and permitting information regarding the landfill sites was provided by the Municipality.

The landfill sites are nearing the end of their useful lives and the ground and ground water on the entire site are thus considered to be contaminated and not just the portions in use, i.e. the provision provides for the cost of rehabilitating the entire



site and not just the portions used up to financial year end. The entire site would need to be rehabilitated due to waste distributed across the entire site over the years since opening thereof. Thus, as provided in GRAP 19 where it states that the provision should only be raised to the extent that the costs would need to be incurred, it is considered that the full cost of rehabilitation would need to be incurred to rehabilitate the sites.

Figures in Rand	2015	Restated 2014
<b>16. Property rates</b>		
<b>Rates received</b>		
Property rates	1 722 591	1 593 890
Property rates - penalties imposed	1 722 591 327 859	1 593 890 231 287
	<b>2 050 450</b>	<b>1 825 177</b>
<b>Valuations</b>		
Residential	63 585 200	63 585 200
Commercial	15 792 500	15 792 500
State	57 935 200	57 935 200
Agricultural	877 914 300	877 914 300
Vacant	-	-
Indigent	664 100	664 100
Places of worship	3 537 300	3 537 300
	<b>1 019 428 600</b>	<b>1 019 428 600</b>
The following general rates were applied during the 2014/2015 and 2013/2014 years respectively to property valuations to determine the assessment rates:		
Residential properties	1.619 c/R	1.533 c/R
Businesses	1.984 c/R	1.879 c/R
State properties	2.381 c/R	2.254 c/R
Agricultural properties	0.311 c/R	0.294 c/R
<b>17. Service charges</b>		
Sale of electricity	5 867 082	6 595 498
Sale of water	1 358 607	1 238 415
Sewerage charges	1 562 404	1 514 705
Refuse removal	1 367 117	1 280 768
	<b>10 155 210</b>	<b>10 629 386</b>

Figures in Rand

2015

Restated  
2014**18. Government grants and subsidies****Operating grants**

Equitable share	18 211 000	16 860 000
Provincial allocation	308 000	266 000
Department of Water Affairs	2 947 465	2 459 301
Department of Water - Water Services Capacity	2 290 851	-
SA Sport for Change	204 179	-
IEC	-	500 985
Subsidies	-	250 700
EC Government Revitalisation grant	-	700 000
Local Government and Traditional Affairs	-	2 592 400
Audit fees	-	248 121
	<b>23 961 495</b>	<b>23 877 507</b>

**Capital grants**

Finance Management grant	1 709 418	1 650 000
Municipal Systems Improvement grant	852 145	890 000
Municipal Infrastructure grant	6 054 836	9 725 000
Public Works - EPWP	1 444 548	722 185
Dan Sandi Sewerage	-	180 000
	<b>10 060 947</b>	<b>13 167 185</b>
	<b>34 022 442</b>	<b>37 044 692</b>

**Equitable Share**

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.

**Integrated National Electrification grant**

Balance unspent at beginning of year	-	2 948 808
Transferred to Repayment - National Revenue Fund	-	(2 948 808)
	<b>-</b>	<b>-</b>

**Finance Management grant**

Current-year receipts	1 800 000	1 650 000
Conditions met - transferred to revenue	(1 749 786)	(1 650 000)
	<b>50 214</b>	<b>-</b>

**Municipal Systems Improvement grant**

Balance unspent at beginning of year	-	375 638
Current-year receipts	934 000	890 000
Conditions met - transferred to revenue	(934 000)	(890 000)
Transferred to Repayment - National Revenue Fund	-	(375 638)
	<b>-</b>	<b>-</b>

Figures in Rand

2015

Restated  
2014**18. Government grants and subsidies (continued)****Municipal Infrastructure grant**

Balance unspent at beginning of year	-	1 543 480
Current-year receipts	11 002 000	9 725 000
Conditions met - transferred to revenue	(6 842 502)	(9 725 000)
Transferred to Repayment - National Revenue Fund	-	(1 543 480)
	<b>4 159 498</b>	<b>-</b>

**Public Works - EPWP**

Balance unspent at beginning of year	277 815	437 315
Current-year receipts	1 000 000	1 000 000
Conditions met - transferred to revenue	(1 492 702)	(722 185)
Transferred to Repayment - National Revenue Fund	-	(437 315)
	<b>(214 887)</b>	<b>277 815</b>

**Local Economic Development**

Balance unspent at beginning of year	1 645 893	1 645 893
Conditions met - transferred to revenue	278 646	-
	<b>1 924 539</b>	<b>1 645 893</b>

**Spatial Development Framework**

Balance unspent at beginning of year	74 558	74 558
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**Dan Sandi Sewerage grant**

Balance unspent at beginning of year	70 000	-
Current-year receipts	-	250 000
Conditions met - transferred to revenue	-	(180 000)
	<b>70 000</b>	<b>70 000</b>

**Industrial Development Corporation**

Balance unspent at beginning of year	500 000	500 000
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**ACIP Sanitation Grant**

Current-year receipts	3 453 889	-
Conditions met - transferred to revenue	(3 360 110)	-
	<b>93 779</b>	<b>-</b>

**ACIP Water Grant**

Current-year receipts	278 645	-
Conditions met - transferred to revenue	(2 611 570)	-
<b>Undefined Difference</b>	<b>(278 645)</b>	<b>-</b>
	<b>(2 611 570)</b>	<b>-</b>

Figures in Rand

2015

Restated  
2014**19. Revenue**

Property rates	1 722 591	1 593 890
Service charges	10 155 210	10 629 386
Government grants and subsidies	34 022 442	37 044 692
Interest received - internal	1 316 022	722 520
Licences and permits	109 451	126 357
Rental of facilities and equipment	86 240	20 269
Other income	2 169 266	1 044 665
Interest received - external	43 767	61 173
Property rates - penalties imposed	327 859	231 287
	<b>49 952 848</b>	<b>51 474 239</b>

**The amount included in revenue arising from exchanges of goods or services are as follows:**

Service charges	10 155 210	10 629 386
Rental of facilities and equipment	86 240	20 269
Interest received - internal	1 316 022	722 520
Licences and permits	109 451	126 357
Other income	2 169 266	1 044 665
Interest received - external	43 767	61 173
	<b>13 879 956</b>	<b>12 604 370</b>

**The amount included in revenue arising from non-exchange transactions is as follows:**

Property rates	1 722 591	1 593 890
Property rates - penalties imposed	327 859	231 287
Government grants and subsidies	34 022 442	37 044 692
	<b>36 072 892</b>	<b>38 869 869</b>

**20. Personnel**

Basic salaries and wages	15 321 493	12 597 507
Performance bonuses	-	189 000
Medical aid - company contributions	666 838	521 111
UIF	127 654	114 349
SDL	147 332	117 102
Leave pay	1 212 649	596 933
Provision for bonuses	(165 147)	99 359
Wages	-	547 857
Travel, motor car, accommodation, subsistence and other allowances	694 489	613 170
Overtime payments	715 547	716 078
Long-service awards	26 225	-
Acting allowances	31 343	-
Housing benefits and allowances	13 261	9 085
Annual Bonus	684 257	750 557
Pension fund contributions	1 321 913	1 243 509
Bargaining council	6 511	3 292
Provision for post employment benefits	673 000	(276 000)
	<b>21 477 365</b>	<b>17 842 909</b>

Figures in Rand

2015

Restated  
2014**20. Personnel (continued)****Remuneration of municipal manager**

Annual Remuneration	795 608	737 391
Travel, motor car, accommodation, subsistence and other allowances	134 400	134 400
Contributions to UIF, Medical and Pension Funds	10 845	-
	<b>940 853</b>	<b>871 791</b>

The municipal manager, Mr T Gutas, has been suspended for the whole year with Mrs Mpahlwa, Director: Strategic Services, acting in his place.

**Remuneration of chief finance officer**

Annual Remuneration	673 527	623 072
Travel, motor car, accommodation, subsistence and other allowances	120 000	120 000
Contributions to UIF, Medical and Pension Funds	1 785	-
	<b>795 312</b>	<b>743 072</b>

**Remuneration of the Manager - Strategic Services**

Annual Remuneration	673 527	623 072
Acting Allowance	21 453	42 906
Travel, motor car, accommodation, subsistence and other allowances	120 000	120 000
Contributions to UIF, Medical and Pension Funds	9 694	-
	<b>824 674</b>	<b>785 978</b>

**Remuneration of Manager - Technical Services**

Annual Remuneration	336 263	50 423
Acting Allowances	16 099	-
Travel, motor car, accommodation, subsistence and other allowances	62 500	12 500
Contributions to UIF, Medical and Pension Funds	4 926	-
	<b>419 788</b>	<b>62 923</b>

**21. Remuneration of councillors**

Executive Mayor	390 888	359 598
Councillors	1 417 511	1 233 750
	<b>1 808 399</b>	<b>1 593 348</b>

**In-kind benefits**

The municipality received assistance from the Sarah Baartman District Municipality. The assistance provided by Sarah Baartman District Municipality was to provide accounting support services.

***Councillors'  
Remuneration***

2015

***Councillor******Remuneration Allowances  
Total******Back Pay***

SA Mngwevu (Mayor)	260 012	107 538	23 33	390 888
K Hendricks	159 887	68 578	19 24	247 711

Figures in Rand

2015

Restated  
2014**21. Remuneration of councillors (continued)**

M Bonaparte	145 432	84 109	27 17	256 718
L Ntame	159 887	68 578	18 48	246 947
A Mboneni	159 887	74 163	10 03	244 080
J Lewis	141 699	68 101	12 89	222 696
BW Seekoei	141 699	62 516	18 48	222 697
	<b>1 168 503</b>	<b>533 583</b>	<b>106 31</b>	<b>1 808 399</b>

2014

Councillor	Remuneration	Allowances	Total
SA Mngwevu (Mayor)	261 299	98 299	359 598
K Hendricks	144 792	60 833	205 625
M Bonaparte	144 792	60 833	205 625
L Ntame	144 792	60 833	205 625
A Mboneni	144 792	60 833	205 625
J Lewis	144 792	60 833	205 625
BW Seekoei	144 792	60 833	205 625
	<b>1 130 051</b>	<b>463 297</b>	<b>1 593 348</b>

**22. Debt impairment**

Contributions to debt impairment provision	6 152 625	8 183 394
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**23. Depreciation and amortisation**

Property, plant and equipment	4 190 544	3 781 044
Intangible assets	69 938	87 184
	<b>4 260 482</b>	<b>3 868 228</b>

**24. Finance costs**

Trade and other payables	-	566 164
Finance leases	27 613	50 309
	<b>27 613</b>	<b>616 473</b>



Figures in Rand

2015

Restated  
2014**25. Repairs and maintenance**

Buildings	166 064	274 684
Computers	111	1 648
Network	136 142	1 299 816
Street	3 926	77 263
Tools and equipment	862	1 746
Vehicles and plant	175 821	219 554
Water reticulation	29 211	57 318
Water boreholes	43 026	-
	<b>555 163</b>	<b>1 932 029</b>

**26. Bulk purchases**

Electricity	5 932 966	5 879 737
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**27. General expenses**

Audit committee	6 373	5 000
Advertising	71 695	75 968
Audit fee - internal	187 691	137 615
Auditors remuneration	126 885	2 300 495
Bank charges	257 190	150 543
Books and publications	-	1 486
Communication	-	73 448
Departmental electricity	345 747	1 167 880
Entertainment	73 440	86 359
Fines and penalties	2 005 798	26 207
Matlansana projects	-	506 107
Free basic services	1 966 814	1 615 331
Sundry expenses	47 127	458 370
Fuel and oil	493 771	513 389
Insurance	548 733	192 157
Internet subscriptions	68 572	147 776
Lease rentals	306 159	274 687
Professional fees	1 846 705	1 639 301
Legal expenses	598 638	529 724
Chemicals	337 551	335 500
Subscriptions	14 419	99 008
Motor vehicle expenses - licencing	1 735 616	8 852
Movement in provision for landfill sites	-	234 178
MSIG	3 780 878	599 100
Postage and courier	5 065	60 583
Printing and stationery	260 125	274 809
Special projects	79 998	121 131
Protective clothing	134 825	6 285
Summit costs	-	422 900
Pauper burials	12 000	23 000
Telephone and fax	644 464	490 755
Tourism development	610 000	80 248
Training	260 522	112 688
Subsistence and travel	1 492 110	1 431 225
Water	-	16 298
Gifts	38 682	-
EPWP	67 920	-
	<b>18 425 513</b>	<b>14 218 403</b>

Figures in Rand

2015

Restated  
2014

## 28. Prior period errors

The correction of error relating to the opening retained income balance at 01 July 2014 is due to the following adjustment:

Property, plant and equipment	(1 922 632)
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The adjustment to Property, plant and equipment relates to the restatement of assets previously carried at R1 in the asset register resulting from a restatement to the estimated useful lives of other assets.

Further to the above the following balances were adjusted as follows as at the 2013 reporting date:

### Statement of financial position

### Restated 2014

#### Reported 2014 Assets

##### Non-current assets

Property, plant and equipment

95 211 228      98 186 658

##### Current assets

Trade receivables

3 658 899      3 163 276

##### Liabilities

##### Current liabilities

Payables from exchange transactions

19 893 555      19 397 932

##### Net Assets

Opening Accumulated Surplus or Deficit

104 886 745      107 862 175

**223 650 427      228 610 041**

### Statement of Financial Performance

#### Expenses

Depreciation expense

3 868 228      2 815 430

**3 868 228      2 815 430**

#### Trade receivables

Debtors with credit balances have been reclassified from trade receivables to payables from exchange transactions.

### Property, plant and equipment

The adjustment to PPE relates to the restatement of assets previously carried at R1 in the asset register resulting from a restatement to the estimated useful lives of other assets.

### Trade and other payables

Debtors with credit balances have been reclassified from trade receivables to payables from exchange transactions..

### Depreciation and amortisation

Depreciation on other assets has been restated correcting assets previously fully depreciated and carried at R1 after restating the estimated useful lives of other assets.

Figures in Rand

2015

Restated  
2014**29. Cash generated from operations**

Deficit	(8 604 844)	(2 660 283)
<b>Adjustments for:</b>		
Depreciation and amortisation	4 260 482	3 868 228
Gain on sale of assets and liabilities	-	1
Finance costs - Finance leases	27 609	-
Debt impairment	6 152 625	8 183 394
Movements in retirement benefit assets and liabilities	659 172	(276 000)
Movements in provisions	(165 147)	561 455
<b>Changes in working capital:</b>		
Inventories	-	(4 237)
Other receivables	155 353	(621 118)
Consumer debtors	(5 205 428)	(6 459 949)
Payables from exchange transactions	14 527 728	4 641 210
VAT	(575 250)	(158 912)
Unspent conditional grants and receipts	1 477 865	(4 957 426)
	<b>12 710 165</b>	<b>2 116 363</b>

**30. Auditors' remuneration**

Fees	126 885	2 300 495
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**31. Related parties**

Relationships	
Mayor	SA Mngwevu
Councillor	Cllr K Hendricks
Councillor	Cllr M Bonaparte
Councillor	Cllr L Ntame
Councillor	Cllr A Mboneni
Councillor	Cllr J Lewis
Councillor	Cllr BW Seekoei
Municipal Manager (Suspended)	LT Gutas
Chief Financial Officer	D Sauls
Director - Technical Services	N Nongene
Director - Strategic Services	MP Mpahlwa
District Municipality that Ikwezi Municipality forms part of	Sarah Baartman District Municipality
Close family member of key management	None
Joint venture of key management	None
Associate of close family member of key management	None
Members of key management	None

Refer to note 21 for a breakdown of councillors' remuneration.

Refer to note 20 for a breakdown of amounts paid to section 57 managers.

**32. Risk****management**

## ***Financial risk management***

The municipality's activities expose it to a variety of financial risks: market risk (including fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The municipality's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality's financial performance. Risk management is carried out by the finance department, with assistance of the operating divisions, under policies approved by the accounting officers.

Figures in Rand

2015

Restated  
2014

### 32. Risk management

#### (continued) Liquidity

##### risk

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments, projected grant receipts and cash forecasting.

The table below analyses the municipality's financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

At 30 June 2015	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Finance lease obligation	118 869	-	-	-
Trade and other payables	34 421 277	-	-	-
Repayment - National Revenue Fund	4 100 000	205 241	-	-
At 30 June 2014	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Finance lease obligation	245 802	118 869	-	-
Bank overdraft	320 374	-	-	-
Trade and other payables	19 898 918	-	-	-
Repayment - National Revenue Fund	1 500 000	1 500 000	2 305 241	-

##### Credit risk

Credit risk consists mainly of cash deposits, cash equivalents and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards.

Financial assets exposed to credit risk at year end were as follows:

Financial instrument	2015	2014
Call deposits	10 760	10 918
Trade and other receivables	2 711 702	3 658 899
Other receivables	511 867	667 220

##### Interest rate risk

The municipality's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the municipality to cash flow interest rate risk. Interest rate risk is managed by investing any surplus funds into high yield investments. The resultant interest earned is likely to offset interest paid, as both are linked to prime rates.

### 33. Events after the reporting date

No events have been identified after the reporting date which could have a material impact on the annual financial statements.

**34. Unauthorised expenditure**

Unauthorised expenditure	98 281 051	10 442 743
Add: Unauthorised expenditure - current year	-	98 281 051
Less: Amounts condoned	-	(10 442 743)
	<b>98 281 051</b>	<b>98 281 051</b>

Figures in Rand

2015

Restated  
2014**34. Unauthorised expenditure (continued)**

No criminal or disciplinary steps have been taken as a consequence of above expenditure.

The current year unauthorised expenditure was incurred as follows:

**35. Fruitless and wasteful expenditure**

Fruitless and wasteful expenditure	583 336	213 168
Add: Fruitless and wasteful expenditure - current year	-	583 336
Less: Amount condoned	-	(213 168)
	<b>583 336</b>	<b>583 336</b>

No criminal or disciplinary steps have been taken as a consequence of above expenditure.

Schedule of fruitless and wasteful expenditure incurred in the current year:

Category	2015	2014
Interest on overdue accounts	-	566 164

**36. Irregular expenditure**

Opening balance	1 923 741	9 513 003
Add: Irregular Expenditure - current year	-	1 923 741
Less: Amounts condoned	-	(9 513 003)
	<b>1 923 741</b>	<b>1 923 741</b>

**Details of irregular expenditure – current year**

-

**37. Deviation from supply chain management regulations**

Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the accounting officers and includes a note to the annual financial statements.

Goods and services to the value of RXXXXXXX were procured during the financial year under review and the process followed in procuring those goods deviated from the provisions of paragraph 12(1)(d)(i) as stated above. The reasons for these deviations were documented and reported to the accounting officers who considered them and subsequently approved the deviation from the normal supply chain management regulations.

Figures in Rand

2015

Restated  
2014**38. Contingencies****Former employee vs Ikwezi Local Municipality / others**

The matter has not been resolved and the claim against Council is estimated at R650,000.

***M. Blouw***

The municipality was being sued by a former employee, M. Blouw. The matter has been to arbitration and was settled subsequent to year end. Mr Blouw was awarded an amount of R176,777.

***Mr T. Gutas vs Ikwezi Local Municipality***

The potential claim is twelve months salary which amounts to R857,391.

***Jansenville Taxi Association***

Jansenville Taxi Association has taken the municipality to court over the eviction of M. Blouw. The value of the potential claim has not yet been determined. The claim is over ownership of property.

***Fleet Africa vs Ikwezi Local Municipality***

A settlement has been reached but the legal cost is still to be determined. An arrangement is in place to pay for the goods in three payments. The final payment will be made in November 2014.

**39. Material losses**

During the 2015 financial year the municipality incurred distribution losses relating to water of XX% (2014: 5.0%) and relating to electricity of 37.6% (2014: 48.9%)

**40. Pension and medical aid deductions**

Current year payroll deductions and Council Contributions  
Amount paid - Current year

2 676 610	2 504 183
(1 185 486)	(2 074 478)
<b>1 491 124</b>	<b>429 705</b>

**41. Councillors' arrear consumer accounts****Outstanding less than 90 days**

Councillor K Hendricks	770	614
Councillor J Lewis	1 474	1 051
Councillor M Bonaparte	439	592
Councillor BW Seekoei	-	297
	<b>2 683</b>	<b>2 554</b>

**Outstanding more than 90 days**

Councillor K Hendricks	19	1 556
Councillor J Lewis	238	-



Councillor M Bonaparte

728	930
<b>985</b>	<b>2 486</b>

Figures in Rand

2015

Restated  
2014**42. PAYE, SDL and UIF**

Current year payroll deductions	2 425 542	2 319 342
Amount paid - Current year	(1 783 305)	(1 727 634)
	<b>642 237</b>	<b>591 708</b>

**43. Finance lease receivables****Gross investment in the lease due**

- within one year	37 719	71 809
- in second to fifth year inclusive	1 894	39 613
	<b>39 613</b>	<b>111 422</b>

**Present value of minimum lease payments due**

- within one year	37 719	71 809
- in second to fifth year inclusive	1 894	39 613
	<b>39 613</b>	<b>111 422</b>

The average lease terms is 2 years and the average effective lending rate is undetermined.

Obligations under operating leases are secured by the lessor's title to the leased property

The leases do not contain any purchase options, contingent rentals, escalation clauses or restrictions on the lease arrangements.

The leases are renewable at the end of the lease term at the option of the lessee for a further term to be negotiated.

Figures in Rand

2015

Restated  
2014**44. Employee benefit obligations****44.1 Post employment medical benefit****The amounts recognised in the statement of financial position are as follows:****Carrying value**

Present value of the defined benefit obligation-wholly unfunded	3 122 000	2 548 000
---	-----------	-----------

**Changes in the present value of the defined benefit obligation are as follows:**

Opening balance	2 548 000	2 641 000
Net expense recognised in the statement of financial performance	574 000	(93 000)

**3 122 000 2 548 000****Net expense recognised in the statement of financial performance**

Current service cost	80 000	85 000
Interest cost	228 000	209 000
Actuarial (gains) losses	374 000	(308 000)
Benefits paid	(108 000)	(79 000)

**574 000 (93 000)****Key assumptions used**

Assumptions used at the reporting date:

Discount rates used	8.94 %	8.94 %
Expected rate of return on assets	0.82 %	0.82 %
Expected rate of return on reimbursement rights	7.05 %	7.05 %
Medical cost trend rates	8.05 %	8.05 %

The PA 90-2 post-retirement mortality table was used

Number of Continuation pensioners - 4

Average age of Continuation pensioners as at 30 June 2014 was 66.3 (2013/2014: 64), with an average employer monthly contribution of R2,260 (2013/2014: R1,650).

**Other assumptions**

Assumed healthcare cost trends rates have a significant effect on the amounts recognised in surplus or deficit. A one percentage point change in assumed healthcare cost trends rates would have the following effects:

One  
percentage

**One  
percent  
age**

point increase point  
decrease

Effect on the aggregate of the service cost and interest cost	425 000	387 000
Effect on defined benefit obligation	3 240 000	2 963 000

Amounts for the current and previous four years are as follows:

	2015 R	2014 R	2013 R	2012 R	2011 R
Defined benefit obligation	3 122 000	2 548 000	2 641 000	2 239 000	1 734 000
Experience adjustments on plan	(374 000)	53 000	219 000	373 000	-

Figures in Rand

2015

Restated  
2014**44. Employee benefit obligations****(continued) Defined benefit****obligation**

The obligation in respect of the medical care contributions for retirement benefits is valued every year by independent qualified actuaries. The last actuarial valuation was performed on 30 June 2015 by ZAQ Consultants and Actuaries using the Projected Unit Credit Method.

The valuation of this liability considers all employees, retired employees and their dependants who participate in the medical aid arrangements and are entitled to a post-employment medical aid subsidy.

The estimated contributions to be paid in the next financial year:

The total economic entity contribution to such schemes	124 000	80 000
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**44.2 Long service awards**

The amounts recognised in the statement of financial position are as follows:

**Carrying value**

Present value of the defined benefit obligation-wholly unfunded	874 172	789 000
---	---------	---------

**Changes in the present value of the defined benefit obligation are as follows:**

Opening balance	789 000	972 000
Benefits paid	(13 828)	-
Net expense recognised in the statement of financial performance	99 000	(183 000)
	<b>874 172</b>	<b>789 000</b>

**Net expense recognised in the statement of financial performance**

Current service cost	95 000	208 000
Interest cost	62 000	79 000
Actuarial (gains) losses	(10 000)	(366 000)
Bonuses paid	(48 000)	(104 000)
	<b>99 000</b>	<b>(183 000)</b>

**Key assumptions used**

Assumptions used at the reporting date:

Discount rates used	7.96 %	7.96 %
Expected rate of return on assets	0.59 %	0.59 %
Expected rate of return on reimbursement rights	6.33 %	6.33 %
Expected increase in salaries	7.33 %	7.33 %

Figures in Rand

2015

Restated  
2014**44. Employee benefit****obligations (continued) Other****assumptions**

Assumed healthcare cost trends rates have a significant effect on the amounts recognised in surplus or deficit. A one percentage point change in assumed healthcare cost trends rates would have the following effects:

**One  
percent  
age**

**One  
percentage**

	point increase	point decrease	
Effect on the aggregate of the service cost and interest cost		205 000	179 000
Effect on defined benefit obligation		945 000	836 000

Amounts for the current and previous four years are as follows:

	2015 R	2014 R	2013 R	2012 R	2011 R
Defined benefit obligation	874 172	789 000	972 000	688 000	522 000
Experience adjustments on plan	(10 000)	(366 000)	100 000	101 000	-

### Defined benefit obligation

The obligation in respect of the long service awards is valued every year by independent qualified actuaries. The last actuarial valuation was performed on 30 June 2015 by ZAQ Consultants and Actuaries using the Projected Unit Credit Method.

Long service awards to eligible employees are paid for services rendered by employees of 5 years and longer in five year intervals. The service awards are paid as per the collective agreement of 21 February 2011, signed by the Bargaining Council. The basis on which this was calculated is as follows:

- After 5 Continuous Years of Service - 2% of Basic Annual Salary and 5 days accumulative leave
- After 10 Continuous Years of Service - 3% of Basic Annual Salary and 10 days accumulative leave
- After 15 Continuous Years of Service - 4% of Basic Annual Salary and 15 days accumulative leave
- After 20 Continuous Years of Service - 5% of Basic Annual Salary and 15 days accumulative leave
- After 25 Continuous Years of Service - 6% of Basic Annual Salary and 15 days accumulative leave
- After 30 Continuous Years of Service - 6% of Basic Annual Salary and 15 days accumulative leave
- After 35 Continuous Years of Service - 6% of Basic Annual Salary and 15 days accumulative leave
- After 40 Continuous Years of Service - 6% of Basic Annual Salary and 15 days accumulative leave
- After 45 Continuous Years of Service - 6% of Basic Annual Salary and 15 days

accumulative leave The estimated contributions for the next financial year:.

The total economic entity contribution to such schemes	107 000	95 000
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## 45. Going concern

There are material uncertainties regarding the going concern assumption due to:

- The significant cash flow problems of the municipality resulting in long outstanding payments of creditors.
- Long outstanding receivables that are considered irrecoverable
- The fact that the municipality is in a net current liability position which indicates that the municipality is not liquid.

# Report of the auditor-general to the Eastern Cape Provincial legislature and the council on the Ikwezi Local Municipality

## Report on the financial statements Introduction

- I was engaged to audit the financial statements of the Ikwezi Local Municipality set out on pages ... to ..., which comprise the statement of financial position as at 30 June 2015, the statement of financial performance, statement of changes in net assets, cash flow statement and statement of comparison of budget and actual amounts for the year then ended, as well as the notes, comprising a summary of significant accounting policies and other explanatory information.

## Accounting officer's responsibility for the financial statements

- The accounting officer is responsible for the preparation and fair presentation of these financial statements in accordance with South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and the requirements of the Municipal Finance Management Act of South Africa, 2003 (Act No. 56 of 2003) (MFMA) and the Division of Revenue Act of South Africa, 2014 (Act No. 10 of 2014) (DoRA), and for such internal control as the accounting officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

## Auditor-general's responsibility

- My responsibility is to express an opinion on the financial statements based on conducting the audit in accordance with International Standards on Auditing. Because of the matter described in the basis for disclaimer of opinion paragraph, however, I was unable to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

## Basis for disclaimer of opinion

## Limitations on the financial statements

- I was unable to obtain sufficient appropriate audit evidence regarding the financial statements as a whole, as the financial statements were presented for audit purposes without accurate and complete underlying accounting records. I was unable to audit the financial statements by alternative means. Consequently, I was unable to determine whether any adjustments relating to the financial statements as a whole were necessary.



### ***Disclaimer of opinion***

- Because of the significance of the matter described in the basis for disclaimer of opinion paragraph, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, I do not express an opinion on the financial statements.

### ***Additional matter***

- I draw attention to the matter below. My opinion is not modified in respect of this matter.

### **Withdrawal from the engagement**

- Due to the limitation imposed on the scope of the audit by management, I have disclaimed my opinion on the financial statements. But for the legislative requirement to perform the audit of the municipality, I would have withdrawn from the engagement in terms of International Standards on Auditing.

### ***Report on other legal and regulatory requirements***

- In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and the general notice issued in terms thereof, I have a responsibility to report findings on the reported performance information against predetermined objectives for selected key performance areas presented in the annual performance report, compliance with legislation and internal control. The objective of my tests was to identify reportable findings as described under each subheading, but not to gather evidence to express assurance on these matters. Accordingly, I do not express an opinion or conclusion on these matters.

### ***Predetermined objectives***

- I was unable to perform procedures to obtain evidence about the usefulness and reliability of the reported performance information, as the municipality did not submit its annual performance report for auditing, as required by section 46 of the Municipal Systems Act of South Africa, 2000 (Act No. 32 of 2000) (MSA) and section 121(3)(c) of the MFMA.

### ***Compliance with legislation***

- I performed procedures to obtain evidence that the municipality had complied with applicable legislation regarding financial matters, financial management and other related matters. My material findings on compliance with specific matters in key legislation, as set out in the general notice issued in terms of the PAA, are as follows:

## Strategic and performance management

- The local community was not consulted by means of a municipal-wide structure for community participation in drafting and implementing the integrated development plan (IDP), as required by section 28 of the MSA and municipal planning and performance management regulation 15(1)(a)(i).
- The municipality did not give effect to its IDP and conduct its affairs in a manner consistent with its IDP, as required by section 36 of the MSA, section 21(2)(a) of the MFMA and municipal planning and performance management regulation 6.
- The DP was not annually reviewed by the council based on the assessment of its performance measurements and changing circumstances, as required by section 34 of the MSA and municipal planning and performance management regulations 3 and 11.
- The municipality did not establish a performance management system, as required by section 38(a) of the MSA.
- Key performance indicators, including input, output and outcome indicators, were not set out in the DP in respect of each of the development priorities and objectives, as required by section 41(1)(a) of the MSA and municipal planning and performance management regulations 1 and 9(1)(a).
- Measurable performance targets for the financial year were not set out in the DP, for each of the key performance indicators and with regard to each of the development priorities or objectives, as required by section 41(1)(b) of the MSA and municipal planning and performance management regulation 12(1) and 12(2)(e).
- The service delivery and budget implementation plan used for implementing the municipality's delivery of municipal services and annual budget did not indicate:
  - projections for each month of the revenue to be collected (by source) and the operational and capital expenditure (by vote)
  - service delivery targets and performance indicators for each quarter, as required by section 1 of the MFMA.
- The performance of the municipality was not assessed during the first half of the financial year, as required by section 72(1)(a)(ii) of the MFMA.
- An annual performance report was not prepared for the financial period under review, as required by section 46 of the MSA.
- The performance management system and related controls were inadequate, as it did not describe and represent the processes of performance planning, monitoring, measurement, review, reporting and improvement and how it is to be conducted, organised and managed, including determining the roles of the different role players, as required by section 38 of the MSA and municipal planning and performance management regulation 7.

## Annual financial statements and annual report

- The financial statements submitted for auditing were not prepared in all material respects in accordance with the requirements of section 122 of the MFMA. Material misstatements identified by the auditors in the submitted financial statements were not adequately corrected and the supporting records could not subsequently be provided, which resulted in the financial statements receiving a disclaimer of audit opinion.
- Financial statements were not submitted for auditing within two months after the end of the financial year, as required by section 126(1)(a) of the MFMA.
- The oversight report, containing comments on the annual report, was not adopted by the council within two months from the date on which the 2014-15 annual report had been tabled, as required by section 129(1) of the MFMA.

## Revenue management

- An adequate management, accounting and information system was not in place to account for revenue and debtors, as required by section 64(2)(e) of the MFMA.
- An effective system of internal control for debtors and revenue was not in place, as required by section 64(2)(f) of the MFMA.
- Revenue due to the municipality was not calculated on a monthly basis, as required by section 64(2)(b) of the MFMA.
- Accounts for municipal tax and municipal service charges were not prepared, as required by section 64(2)(c) of the MFMA.
- Sufficient audit evidence could not be obtained that interest had been charged on all accounts in arrears, as required by section 64(2)(g) of the MFMA.

## Asset management

- An adequate management, accounting and information system was not in place to account for assets, as required by section 63(2)(a) of the MFMA.
- An effective system of internal control for assets (including an asset register) was not in place, as required by section 63(2)(c) of the MFMA.

## Conditional grants

- The municipal infrastructure grant allocation was not spent in accordance with the applicable grant framework, in contravention of section 17(1) of DoRA.

- The municipality did not evaluate its performance in respect of programmes funded by the municipal infrastructure grant allocation, as required by section 12(5) of DoRA.
- The municipal systems improvement grant allocation was not spent in accordance with the applicable grant framework, in contravention of section 17(1) of DoRA.
- The municipality did not evaluate its performance in respect of programmes or functions funded by the municipal systems improvement grant allocation, as required by section 12(5) of DoRA.

## Internal audit

- The internal audit unit did not function as required by section 165(2) of the MFMA, in that:
  - it did not prepare a risk-based audit plan and an internal audit programme for the financial year under review
  - it did not report to the audit committee on the implementation of the internal audit plan
  - it did not advise the accounting officer or report to the audit committee on matters relating to risk, risk management and loss control.
- The internal audit unit did not advise the accounting officer or report to the audit committee on matters relating to compliance with the MFMA, DoRA and other applicable legislation, as required by section 165(2)(b)(vii) of the MFMA.

## Audit committee

- The audit committee did not advise the council or accounting officer on matters relating to internal financial control and internal audits, risk management, accounting policies, effective governance, performance management and performance evaluation, as required by section 166(2)(a) of the MFMA.
- The audit committee did not advise the council or accounting officer on matters relating to the adequacy, reliability and accuracy of financial reporting and information, as required by section 166(2)(a)(iv) of the MFMA.
- The audit committee did not advise the council or accounting officer on matters relating to compliance with legislation, as required by section 166(2)(a)(vii) of the MFMA.
- The audit committee did not review the annual financial statements to provide the council with an authoritative and credible view of the financial position of the municipality, its efficiency and effectiveness as well as its overall level of compliance with legislation, as required by section 166(2)(b) of the MFMA.
- The audit committee did not respond to the council on the issues raised in the audit reports of the auditor-general, as required by section 166(2)(c) of the MFMA.
- The audit committee did not review the municipality's performance management system or make recommendations to the council, as required by municipal planning and performance management regulation 14(4)(a)(ii).

- The audit committee did not review the quarterly internal audit reports on performance measurement, as required by municipal planning and performance management regulation 14(4)(a)(xi).
- The audit committee did not submit, at least twice during the financial year, an audit report on the review of the performance management system to the council, as required by municipal planning and performance management regulation 14(4)(a)(iii).
- The audit committee was not constituted in the manner required by section 166(4)(a) of the MFMA, as none of the members possessed a finance qualification. It did also not meet at least four times a year, as required by section 166(4)(b) of the MFMA.

## **Expenditure management**

- Money owed by the municipality was not always paid within 30 days, as required by section 65(2)(e) of the MFMA.
- An effective system of expenditure control was not in place, including procedures for the approval, authorisation, withdrawal and payment of funds, as required by section 65(2)(a) of the MFMA.
- An adequate management, accounting and information system was not in place to recognise expenditure when it was incurred and to account for creditors and payments made, as required by section 65(2)(b) of the MFMA.
- Reasonable steps were not taken to prevent unauthorised and irregular expenditure, as required by section 62(1)(d) of the MFMA.

## **Liability management**

- An adequate management, accounting and information system was not in place to account for liabilities, as required by section 63(2)(a) of the MFMA.
- An effective system of internal control for liabilities (including a liability register) was not in place, as required by section 63(2)(c) of the MFMA.

## **Consequence management**

- Unauthorised and irregular expenditure incurred by the municipality was not investigated to determine if any person is liable for the expenditure, as required by section 32(2)(a)(ii) of the MFMA.
- Unauthorised and irregular expenditure was not always recovered from the liable person, as required by section 32(2) of the MFMA.

## **Supply chain management**

- Sufficient appropriate audit evidence could not be obtained that all contracts and quotations had been awarded in accordance with the legislative requirements and a procurement process that is fair, equitable, transparent and competitive, as an incomplete commitments register, contract register and general ledger were submitted for auditing.

## ***Internal control***

- I considered internal control relevant to my audit of the financial statements and compliance with legislation. The matters reported below are limited to the significant internal control deficiencies that resulted in the basis for the disclaimer of opinion and the findings on compliance with legislation included in this report.

## ***Leadership***

- Effective leadership, based on ethical business practices and good governance that protected and enhanced the best interest of the municipality, was not demonstrated by top management. The municipal manager was on suspension throughout the entire financial period due to matters relating to alleged fraud.
- The leadership did not provide adequate direction and oversight with regard to the control environment as it related to financial management and compliance with laws and regulations. Adequate policies had not been developed, reviewed and implemented to guide all significant processes within the municipality.
- The leadership did not implement effective human resource management to ensure that adequately and sufficiently skilled resources were in place, performance was monitored, and consequence management was applied where necessary.

## ***Financial and performance management***

- The municipality did not maintain a document management system for paper-based and electronic records, or for the timely retrieval thereof. This was evidenced by the annual financial statements not being supported by relevant schedules and supporting documentation and an annual performance report not being submitted. Furthermore, the general ledger and trial balance did not agree to the annual financial statements, and numerous instances of material non-compliance with legislation were noted.
- There were no review processes to monitor compliance with all applicable laws and regulations within the municipality. As a result, non-compliance with applicable laws and regulations was not effectively identified or prevented and municipal officials were not held accountable for transgressions.
- The municipality did not have an established performance management system to enable the strategic planning and reporting of performance information. There were no mechanisms to monitor and review the performance management system. These factors contributed to the municipality's failure to submit an annual performance report for auditing.
- Controls over daily and monthly processing and key reconciliations of transactions were not implemented. There were no processes to monitor compliance with all applicable laws and regulations within the municipality. This resulted in a repeat of significant SCM non-compliance from the prior period.

## ***Governance***

- There was no effective oversight review of financial information, compliance with laws and regulations, and reporting on predetermined objectives.

- Management was unable to adequately address risks during the period due to a lack of governance.

*Auditor-General*

East London

29 February 2016

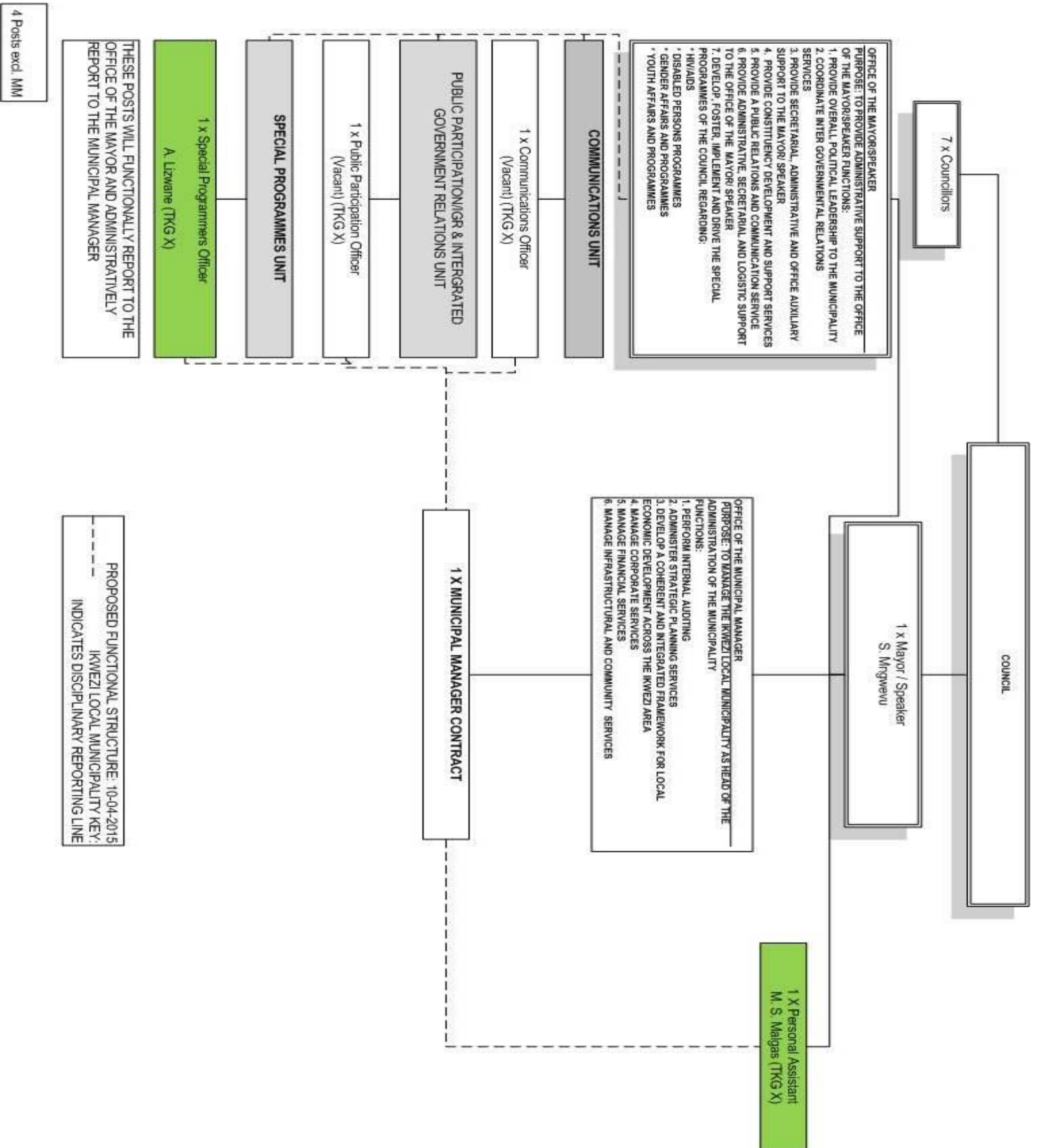


AUDITOR-GENERAL  
SOUTH AFRICA

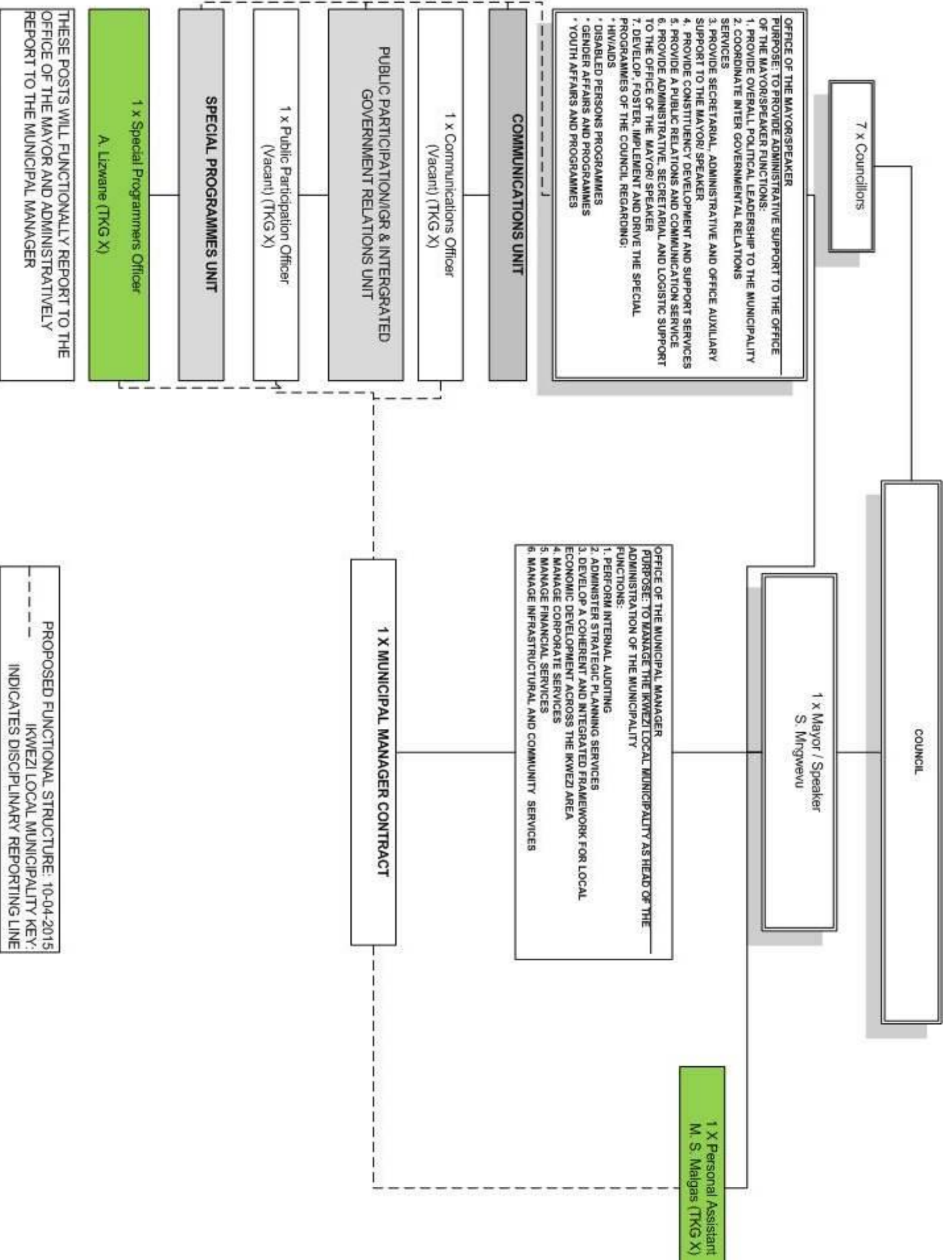
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## **5. INSTITUTIONAL TRANSFORMATION AND ORGANISATIONAL DEVELOPMENT**

### **PRESENTATION OF THE ORGANISATIONAL STRUCTURE**









## INTRODUCTION TO THE MUNICIPAL WORKFORCE

### 3.4.1. EMPLOYMENT EQUITY

The national performance indicator also refers to: “Number of people from employment equity target groups employed in the three highest levels of management in compliance with a municipality’s approved employment equity plan.”

## 66

Please report the total number of **employees** (including employees with disabilities) in each of the following **Occupational levels**: Note: A=Africans, C=Coloureds, I=Indians and W=Whites

Occupational levels	Male				Female				Foreign Nationals		Total
	A	C	I	W	A	C	I	W	Male	Female	
Top management	1	0	0	0	0	0	0	0	0	0	<b>1</b>
Senior management	1	0	0	0	1	1	0	0	0	0	<b>3</b>
Professionally qualified and experienced specialists and mid-management	3	0	0	2	0	1	0	0	0	0	<b>6</b>
Skilled technical and academically qualified workers, junior management, supervisors, foremen, and superintendents	4	3	0	1	8	0	0	0	0	0	<b>16</b>
Semi- skilled and discretionary decision making	8	4	0	1	13	4	0	0	0	0	<b>30</b>
Unskilled and defined decision making	15	14	0	0	0	2	0	0	0	0	<b>31</b>
<b>TOTAL PERMANENT</b>	<b>32</b>	<b>21</b>	<b>0</b>	<b>4</b>	<b>22</b>	<b>8</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>87</b>
Temporary employees	18	8	0	0	3	2	0	0	0	0	<b>31</b>
<b>GRAND TOTAL</b>	<b>50</b>	<b>29</b>	<b>0</b>	<b>4</b>	<b>25</b>	<b>10</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>116</b>

Please report the total number of **employees with disabilities only** in each of the following occupational levels:  
 Note: A=Africans, C=Coloureds, I=Indians and W=Whites

Occupational Levels	Male				Female				Foreign Nationals		Total
	A	C	I	W	A	C	I	W	Male	Female	
Top management	0	0	0	0	0	0	0	0	0	0	0
Senior management	0	0	0	0	0	0	0	0	0	0	0
Professionally qualified and experienced specialists and mid-management	0	0	0	0	0	0	0	0	0	0	0
Skilled technical and academically qualified workers, junior management, supervisors, foremen, and superintendents	0	0	0	0	0	0	0	0	0	0	0
Semi- skilled and discretionary decision making	0	1	0	0	0	1	0	0	0	0	2
Unskilled and defined decision making	1	0	0	0	0	0	0	0	0	0	1
<b>TOTAL PERMANENT</b>	1	1	0	0	0	1	0	0	0	0	3
Temporary employees	0	0	0	0	0	1	0	0	0	0	1
<b>GRAND TOTAL</b>	1	1	0	0	0	2	0	0	0	0	4

## WORKFORCE MOVEMENT

### Recruitment

2.1 Please report the total number of new recruits, **including people with disabilities**. Note: A=Africans, C=Coloureds, I=Indians and W=Whites

Occupational Levels	Male				Female				Foreign Nationals		Total
	A	C	I	W	A	C	I	W	Male	Female	
Top management	0	0	0	0	0	0	0	0	0	0	0
Senior management	0	0	0	0	0	0	0	0	0	0	0
Professionally qualified and experienced specialists and mid-management	0	0	0	0	0	0	0	0	0	0	0
Skilled technical and academically qualified workers, junior management, supervisors, foremen, and superintendents	1	0	0	0	0	0	0	0	0	0	1
Semi- skilled and discretionary decision making	0	0	0	0	0	0	0	0	0	0	0
Unskilled and defined decision making	0	0	0	0	0	0	0	0	0	0	0
<b>TOTAL PERMANENT</b>	1	0	0	0	0	0	0	0	0	0	1
Temporary employees	0	0	0	0	0	0	0	0	0	0	0
<b>GRAND TOTAL</b>	1	0	0	0	0	0	0	0	0	0	1

## Promotion

Please report the total number of promotions into each occupational level, **including people with disabilities**. Note: A=Africans, C=Coloureds, I=Indians and W=Whites

Occupational Levels	Male				Female				Foreign Nationals		Total
	A	C	I	W	A	C	I	W	Male	Female	
Top management	0	0	0	0	0	0	0	0	0	0	0
Senior management	0	0	0	0	0	0	0	0	0	0	0
Professionally qualified and experienced specialists and mid-management	0	0	0	0	0	0	0	0	0	0	0
Skilled technical and academically qualified workers, junior management, supervisors, foremen, and superintendents	0	0	0	0	0	0	0	0	0	0	0
Semi- skilled and discretionary decision making	0	0	0	0	0	0	0	0	0	0	0
Unskilled and defined decision Making	0	0	0	0	0	0	0	0	0	0	0
<b>TOTAL PERMANENT</b>	0	0	0	0	0	0	0	0	0	0	0
Temporary employees	0	0	0	0	0	0	0	0	0	0	0
<b>GRAND TOTAL</b>	0	0	0	0	0	0	0	0	0	0	0

## Termination

Please report the total number of terminations in each occupational level, **including people with disabilities**. Note: A=Africans, C=Coloureds, I=Indians and W=Whites

Occupational Levels	Male				Female				Foreign Nationals		Total
	A	C	I	W	A	C	I	W	Male	Female	
Top Management	0	0	0	0	0	0	0	0	0	0	0
Senior management	0	0	0	0	1	0	0	0	0	0	1
Professionally qualified and experienced specialists and mid-Management	1	0	0	1	1	0	0	0	0	0	3
Skilled technical and academically qualified workers, junior management, supervisors, foremen, and superintendents	0	0	0	0	1	0	0	0	0	0	1
Semi- skilled and discretionary decision making	0	1	0	0	1	0	0	0	0	0	2
Unskilled and defined decision Making	1	1	0	1	0	0	0	0	0	0	3
<b>TOTAL PERMANENT</b>	2	2	0	1	3	0	0	0	0	0	8
Temporary employees	0	0	0	1	1	0	0	0	0	0	2
<b>GRAND TOTAL</b>	2	2	0	2	4	0	0	0	0	0	10

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### VACANCY RATE

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The table below indicates the number of staff per level expressed as total positions and current vacancies express as full time staff equivalents:

Salary Level	Number of current critical vacancies	Number total posts as per organogram	Vacancy job title	Vacancies (as a proportion of total posts per category)
Municipal Manager	1	1	MM	1
Chief Financial Officer	1	1	CFO	1
Other Section 57 Managers	0	0	N/A	0
Senior management	1	1	Technical Director	1
Highly skilled	5	5	Assistant Director : Finance IDP Manager SMME Practitioner BTO SPU	5
<b>Total</b>	<b>8</b>	<b>8</b>	<b>-</b>	<b>8</b>

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**The table below indicates the turn-over rate over the last three years:**

Financial year	Total no of filled posts at the end of each financial year	New appointments	No. terminations during the year	Turn-over Rate
2014/15	2	2	12	17%
2015/16	1	1	9	11%

## MANAGING THE MUNICIPAL WORKFORCE

## INJURIES

An occupational injury is a personal injury, disease or death resulting from an occupational accident. Compensation claims for such occupational injuries are calculated according to the seriousness of the injury/disease and can be costly to a municipality. Occupational injury will influence the loss of man hours and therefore financial and productivity performance.

**The table below indicates the total number of injuries within the difference directorates:**

Directorates	2012/13	2013/14	2014/15
Municipal manager's office	0	0	0
Corporate Services	0	0	0
Financial Services	0	0	0
Strategic Services	0	0	0
Municipal Services and		1	2



Infrastructure Development			
Community Services	0	0	0
Executive Mayor's office	0	0	0
<b>Total</b>	<b>0</b>	<b>1</b>	<b>2</b>

## HR POLICIES AND PLANS

Policies and plans provide guidance for fair and consistent staff treatment approach and a consistent approach to the managing staff.

**The table below shows the HR policies and plans that are approved and that still needs to be developed.**

<b>Approved policies</b>	
<b>Name of policy</b>	<b>Date approved/revised</b>
Recruitment and Selection Policy	September 2015
Employment Equity Policy	September 2015
HIV/AIDS Policy	September 2015
Overtime/Standby Policy	September 2015
Health and Safety Policy	September 2015
Absenteeism Policy	
Retention Strategy Policy	September 2015
Leave Policy	September 2015
Promotion of Access to Information Act	April 2009
Fleet Management Policy	September 2015
Induction Policy	September 2015
Records Management Policy	September 2015
Private work & declaration of interest Policy	September 2015
Sexual Harassment Policy	September 2015
Termination Management Policy	September 2015
Working hours & Attendance Policy	September 2015
Alcohol & Drugs Policy	September 2015
S&T Policy	September 2015
Training & Development Policy	September 2015
Relocation Policy Policy	September 2015

### EMPLOYEE PERFORMANCE REWARDS

In accordance with regulation 32, a performance bonus, based on affordability, may be paid to an employee, after:

1. The annual report for the financial year under review has been tabled and adopted by the municipal council;
2. An evaluation of performance in accordance with the provisions of regulation 23; and
3. Approval of such evaluation by the municipal council as a reward for outstanding performance.

The evaluation of performance of Section 57 managers forms the basis for rewarding outstanding performance.

**The table below shows the total number of Section 57 that received performance rewards:**

Race	Gender	Number of beneficiaries	Total number of employees received Performance Rewards	% Employees received performance rewards
African	Female	0	0	0
	Male	0	0	0
Asian	Female	0	0	0
	Male	0	0	0
Coloured	Female	0	0	0
	Male	0	0	0
White	Female	0	0	0
	Male	0	0	0
Disability	Female	0	0	0
	Male	0	0	0
<b>Total</b>		<b>0</b>	<b>0</b>	<b>0</b>

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### CAPACITATING THE MUNICIPAL WORKFORCE

Section 68(1) of the MSA states that municipality must develop its human resource capacity to a level that enables it to perform its functions and exercise its powers in an economical, effective, efficient and accountable way. For this purpose the human resource capacity of a municipality

must comply with the Skills Development Act (SDA), 1998 (Act No. 81 of 1998), and the Skills Development Levies Act, 20 1999 (Act No. 28 of 1999).

## SKILLS MATRIX

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The table below indicates the number of employees that received training in the year under review:

Management Level	Gender	Number of employees identified for training at start of the year	Number of Employees that received training
MM and S57	Female	2	1
	Male	1	0
Legislators, senior officials and managers	Female	0	0
	Male	0	0
Associate professionals and Technicians	Female	0	0
	Male	0	0
Professional	Female	0	0
	Male	0	0
Clerks	Female	11	11
	Male	4	4
Plant and machine operators and assemblers	Female	0	0
	Male	1	0
Elementary occupations	Female	0	0
	Male	0	0
<b>Sub total</b>	Female	<b>13</b>	<b>13</b>
	Male	<b>6</b>	<b>6</b>
<b>Total</b>		<b>19</b>	<b>19</b>

## SKILLS DEVELOPMENT – TRAINING PROVIDED

The Skills Development Act (1998) and the Municipal Systems Act, (2000), require employers to supply employees with the necessary training in order to develop its human resource capacity. Section 55(1)(f) states that as head of administration the Municipal Manager is responsible for the management, utilization and training of staff.

### Skills Development

Please report the total number of people **including people with disabilities**, who received training **ONLY** for the purpose of achieving the numerical goals, and not the number of training courses attended by individuals. Note:

A=Africans, C=Coloureds, I=Indians and W=Whites

Occupational Levels	Male				Female				Total
	A	C	I	W	A	C	I	W	
Top	1	0	0	0	0	0	0	0	<b>1</b>
Management									
Senior management	0	0	0	1	1	0	0	0	<b>2</b>
Professionally qualified and experienced									
specialists and mid- management	3	0	0	0	2	0	0	0	<b>5</b>
Skilled technical and academically qualified workers, junior management, supervisors, foremen, and superintendents	0	0	0	0	0	0	0	0	0
Semi- skilled and discretionary decision making	1	1	0	0	0	1	0	0	<b>3</b>
Unskilled and defined decision making	1	0	0	0	0	0	0	0	<b>1</b>
<b>TOTAL PERMANENT</b>	<b>6</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>3</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>11</b>
Temporary employees	0	0	0	1	3	0	0	0	<b>4</b>
<b>GRAND TOTAL</b>	<b>6</b>	<b>1</b>	<b>0</b>	<b>1</b>	<b>6</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>15</b>

## NUMERICAL GOALS & TARGETS

### Numerical Goals

Please indicate the numerical goals as contained in the EE Plan (i.e. the entire workforce profile **including people with disabilities**) you project to achieve at the end of your current Employment Equity Plan in terms of occupational levels. Note: A=Africans, C=Coloureds, I=Indians and W=Whites

Occupational Levels	Male				Female				Foreign Nationals		Total
	A	C	I	W	A	C	I	W	Male	Female	
Top Management	0	0	0	0	1	0	0	0	0	0	1
Senior management	1	0	0	1	1	1	0	0	0	0	4
Professionally qualified and experienced specialists and mid-Management	2	1	0	1	2	0	0	1	0	0	7
Skilled technical and academically qualified workers, junior management, supervisors, foremen, and superintendents	11	2	0	2	10	2	0	1	0	0	28
Semi- skilled and discretionary decision making	20	4	0	3	17	3	0	2	0	0	49
Unskilled and defined decision Making	22	4	0	3	20	3	0	3	0	0	55
<b>TOTAL PERMANENT</b>	56	11	0	10	51	9	0	7	0	0	144
Temporary employees	0	0	0	0	0	0	0	0	0	0	0

### Numerical Targets

Please indicate the numerical targets as contained in the EE Plan (i.e. **with disabilities**) you project to achieve at the end of the next reporting cycle, in terms of occupational levels. Note: the workforce profile **including people with disabilities** cycle, in terms of occupational levels. Note: A=Africans, C=Coloureds, I=Indians and W=Whites

Occupational Levels	Male				Female				Foreign Nationals		Total
	A	C	I	W	A	C	I	W	Male	Female	
Top Management	1	0	0	0	0	0	0	0	0	0	1
Senior management	1	0	0	1	1	1	0	0	0	0	4
Professionally qualified and experienced specialists and mid-Management	2	0	0	1	2	0	0	1	0	0	6
Skilled technical and academically qualified workers, junior management, supervisors, foremen, and superintendents	7	2	0	1	8	0	0	1	0	0	19
Semi- skilled and discretionary decision making	12	4	0	2	15	3	0	1	0	0	37
Unskilled and defined decision Making	11	12	0	0	10	3	0	0	0	0	36
<b>TOTAL PERMANENT</b>	33	18	0	5	36	7	0	3	0	0	102
Temporary employees	3	0	0	0	5	0	0	0	0	0	8
<b>GRAND TOTAL</b>	36	18	0	5	41	7	0	3	0	0	110

**MONITORING & EVALUATION****Consultation**

Please indicate below the stakeholders that were involved in the consultation process when developing and implementing your Employment Equity Plan and the preparation of this Employment Equity Report.

Representative	Yes	No
Employment Equity Forum	Yes	
Registered Trade Unions	Yes	
Employees	Yes	

**SKILLS DEVELOPMENT – BUDGET ALLOCATION**

The table bellows indicates that a total amount of R83 840 was allocated to the workplace skills plan and that 100 % of the total amount was spent in the 2015/16 financial year:

Total personnel budget	Total Allocated	Total Spent	% Spent
	R83 840.00	R83 840.00	100%



## **CHAPTER 6: ORGANISATIONAL TRANSFORMATION AND INSTITUTIONAL DEVELOPMENT (KPA 1)**

### **6.1 PRESENTATION OF THE ORGANIZATIONAL STRUCTURE (APPROVED ORGANOGRAM): 2015/16 FINANCIAL YEAR**